



# WELCOME TO RALEIGH-DURHAM INTERNATIONAL AIRPORT

January 23, 2020



Raleigh-Durham Airport Authority



# Conducting Business with the Airport Authority Concession 101 Workshop

Michael J. Landguth, President & CEO



Raleigh-Durham Airport Authority

# Agenda

- Welcome and Introductions
- Objectives
- The Opportunity
  - The State of RDU
  - Vision 2040 Plan



# Objectives for Today's Meeting

- To inform/educate attendees on how to do business with RDU
- Opportunity for networking between Prime Concessionaires, Operators and Airport Concession Disadvantage Business Enterprise (ACDBE) certified firms
- Airport Overview





# Objectives for Today's Meeting

- Concession Program Goals
- March Concessions 102
  - How to respond to solicitations
  - Design Considerations
  - Construction Considerations
- Information on short term solicitation opportunities



# State of RDU



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# Economic Impact on the Region



**\$12.5 Billion** in Economic Output



**\$450 Million** in State and Local Taxes



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TOP  
**5**

J.D. POWER

Raleigh-Durham International Airport

# Ranked a Top 5 Large Airport in Satisfaction Study

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by **J.D. POWER**



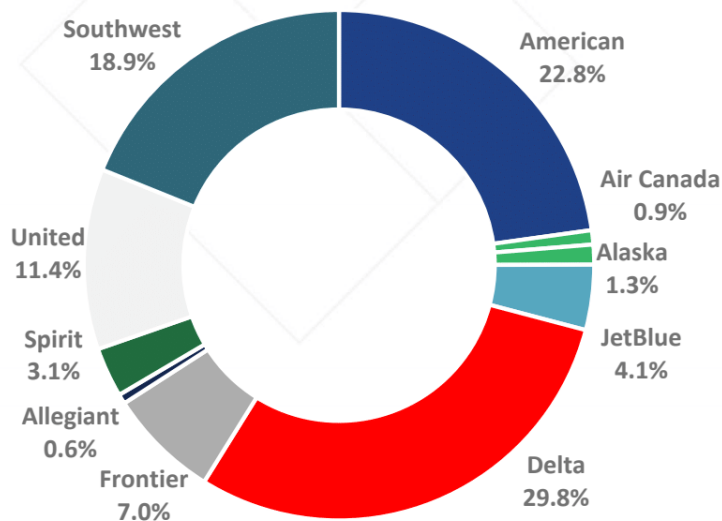
# 61 Nonstop Destinations



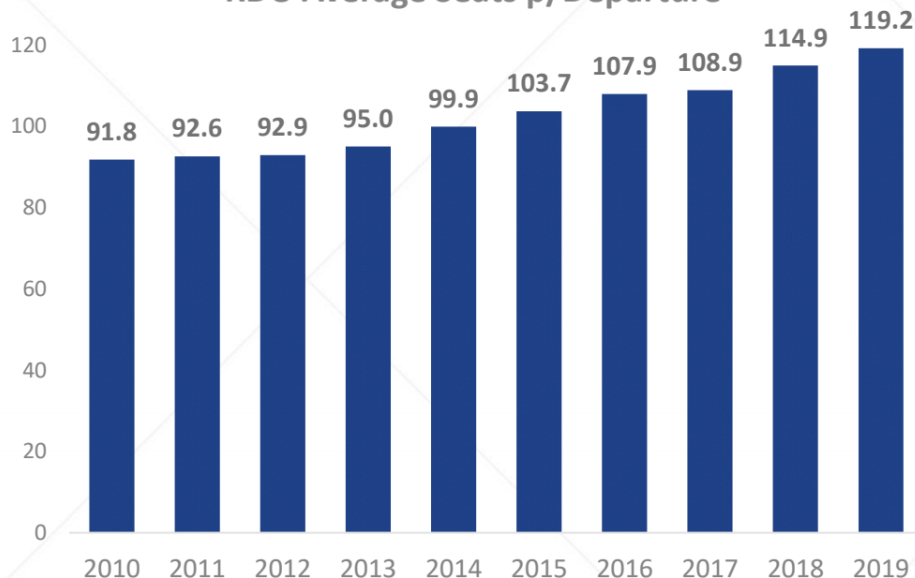
# RDU Capacity by Carrier & Operation

Delta maintains 30% of RDU's total capacity; Trend towards larger aircraft

RDU Capacity by Airline

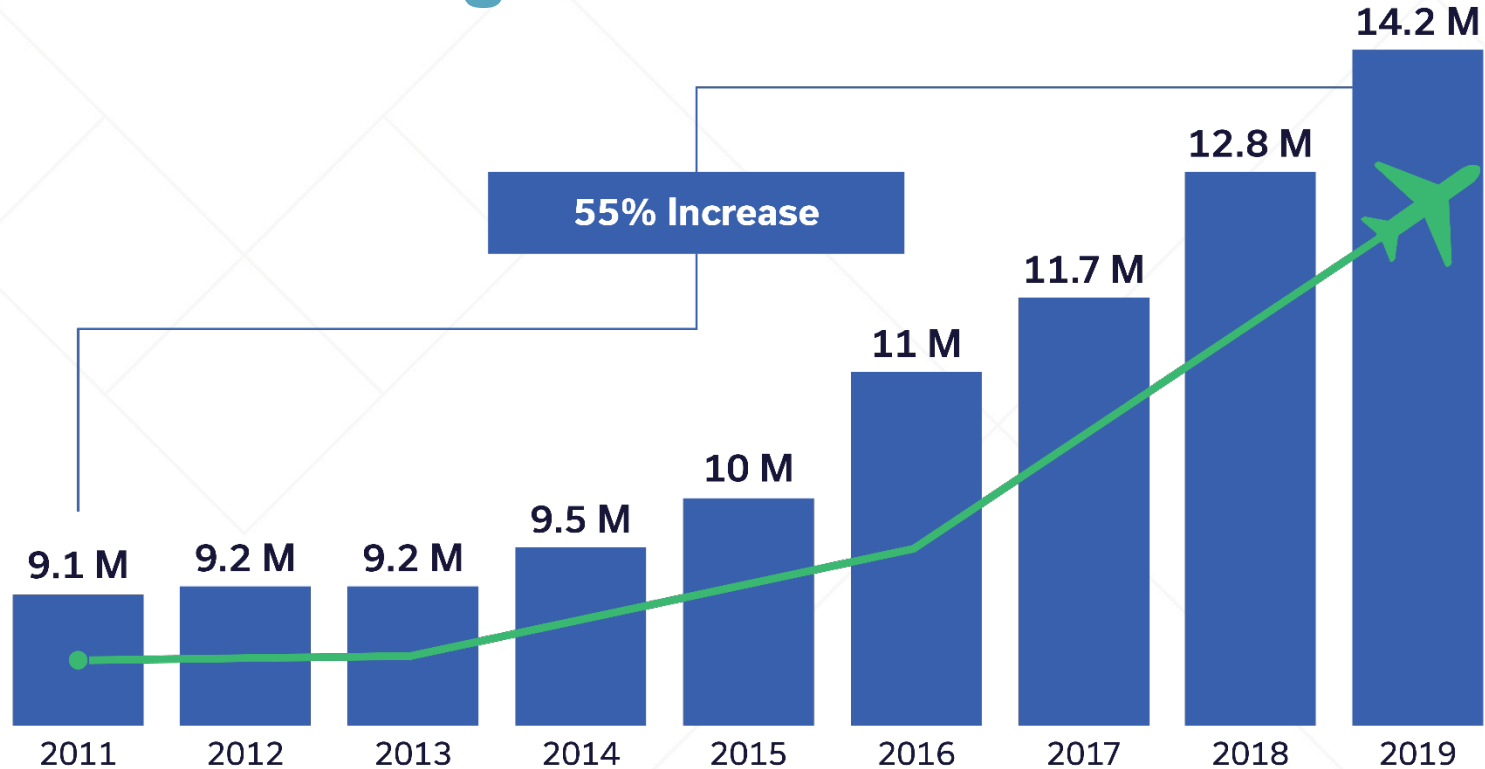


RDU Average Seats p/Departure



Source: Diio Mi US DOT schedule data

# Passengers Served 2011-2019



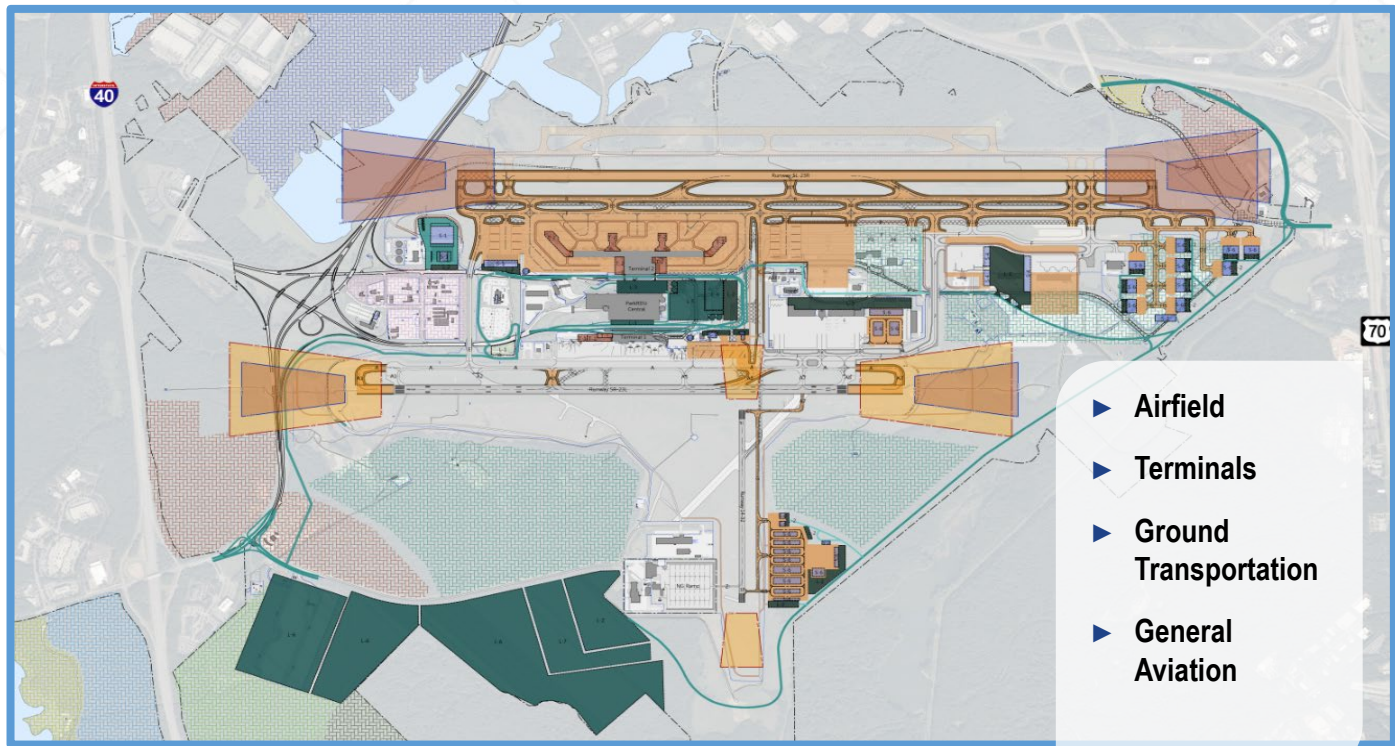


# Vision 2040 Projects



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# Vision 2040



# Historical Passenger Growth

Annual enplanements at RDU, compared to original projections

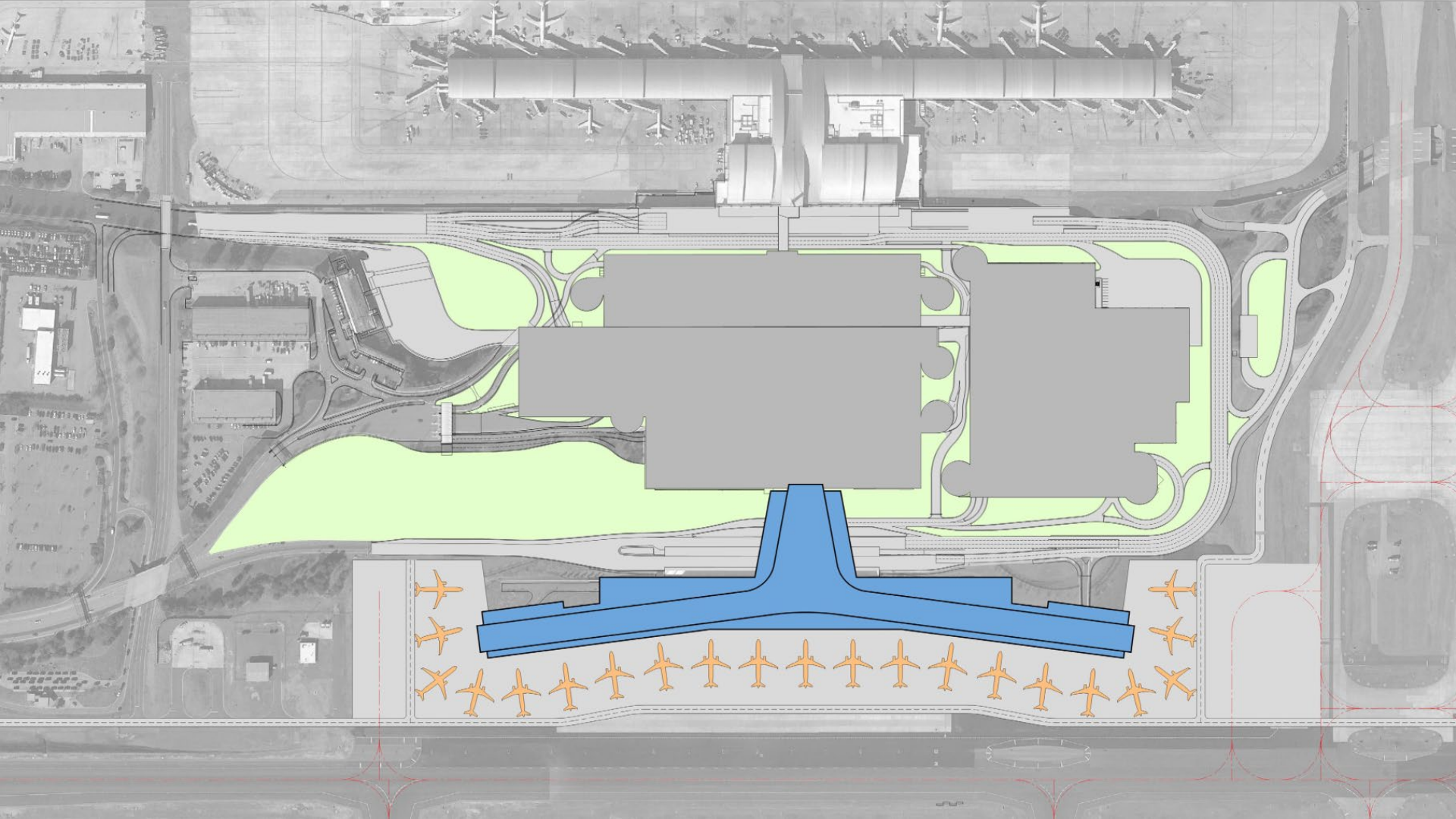
2016	2017	2018	2019
<b>5.2M</b>	<b>5.9M</b>	<b>6.5M</b>	<b>7.1M</b>
2017 levels	2023 levels	2027 levels	2031 levels





# Vision 2040 Projections

- Forecasts approved in 2015
- Projected 2.3% average annual growth
- Terminal 2 Capacity Projects:
  - Customs & Border Protection – 2023
  - Ticket Lobby - 2038
- Terminal 1 Capacity Projects:
  - Ticketing/Gates/Checkpoint - 2028



# Consolidated Rental Car Facility and Ground Transportation Center





# Expanding International Inspection Area



# Vision 2040 – Costs (next 10 years)

- Airfield Program - \$500+ million
- Terminal Program - \$600+ million
- CONRAC Program - \$600+ million
- All the other projects – a big number
- Total – exceeds \$2 billion

# The Opportunity

- Significant Airport Growth
- Reimagining Terminal Concessions
- Don't Miss This Flight!







# Thank You



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# Agenda

- Concessions Program Overview
- Airport Concessions Disadvantaged Business Enterprise Program
- Networking Break
- Airport vs. Street Operations
- Solicitation Process
- Next Steps



# Concessions Program Overview



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# Concession Program Goals

- Reflect local (Triangle region/NC) concepts
- Develop a well-balanced and reimagined concessions program
  - “Three R’s”
- Cultivate authentic sense of place

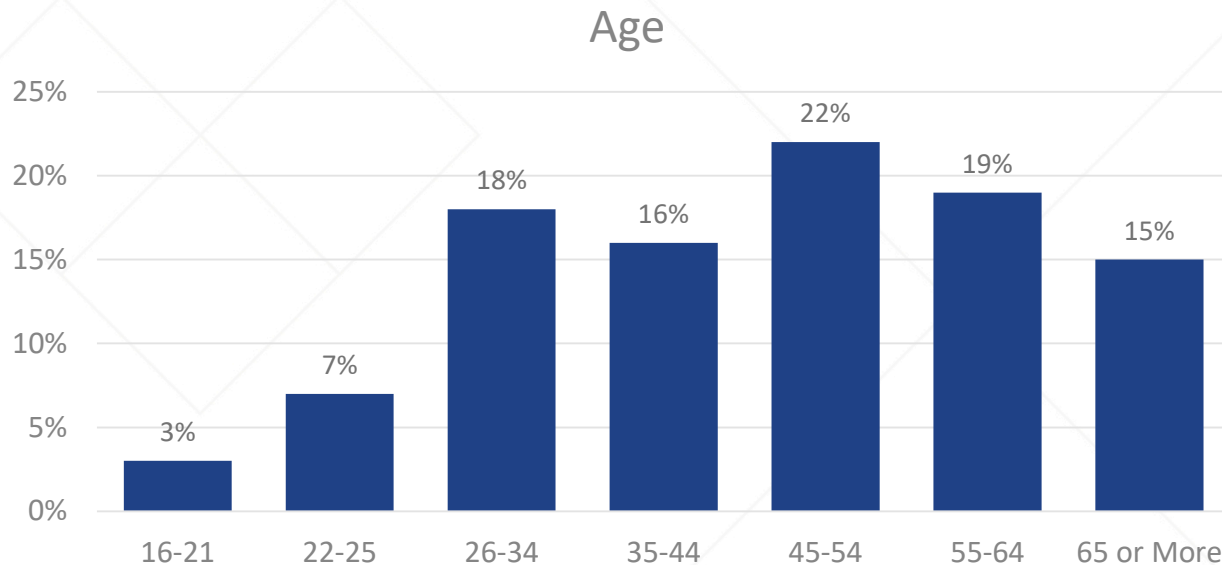


# Concession Program Goals

- Elevate guest experience
- Promote a competitive concessionaire environment
- Increase diversity of concessions offering
- Facilitate and encourage ACDBE participation



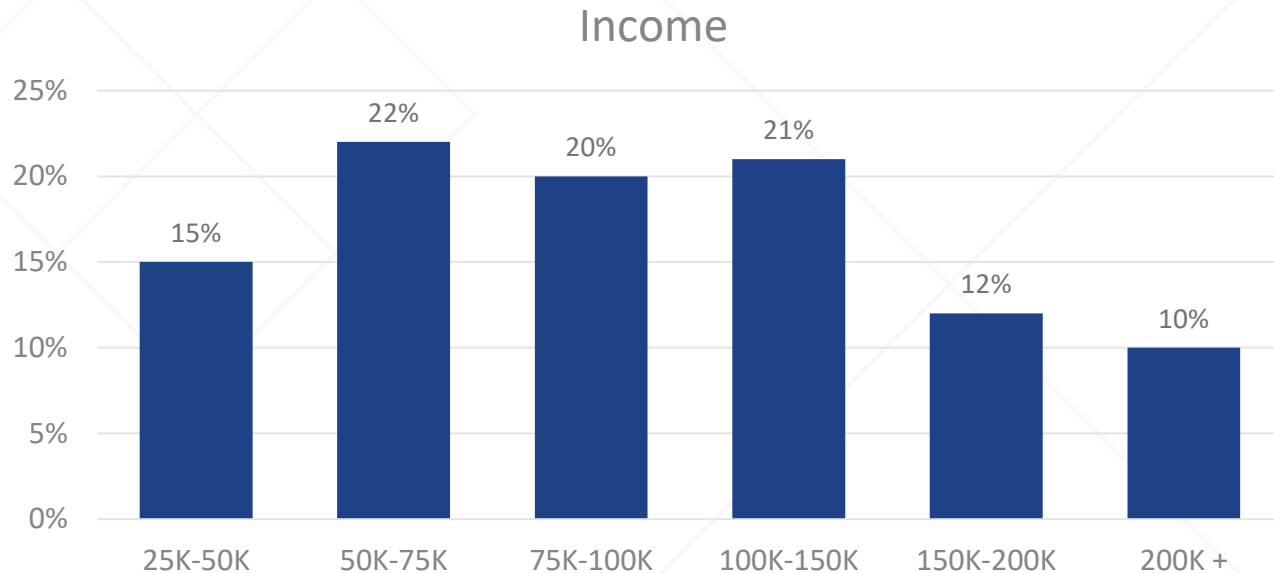
# Passenger Demographics



Source: RDU 2018 Customer Satisfaction Study



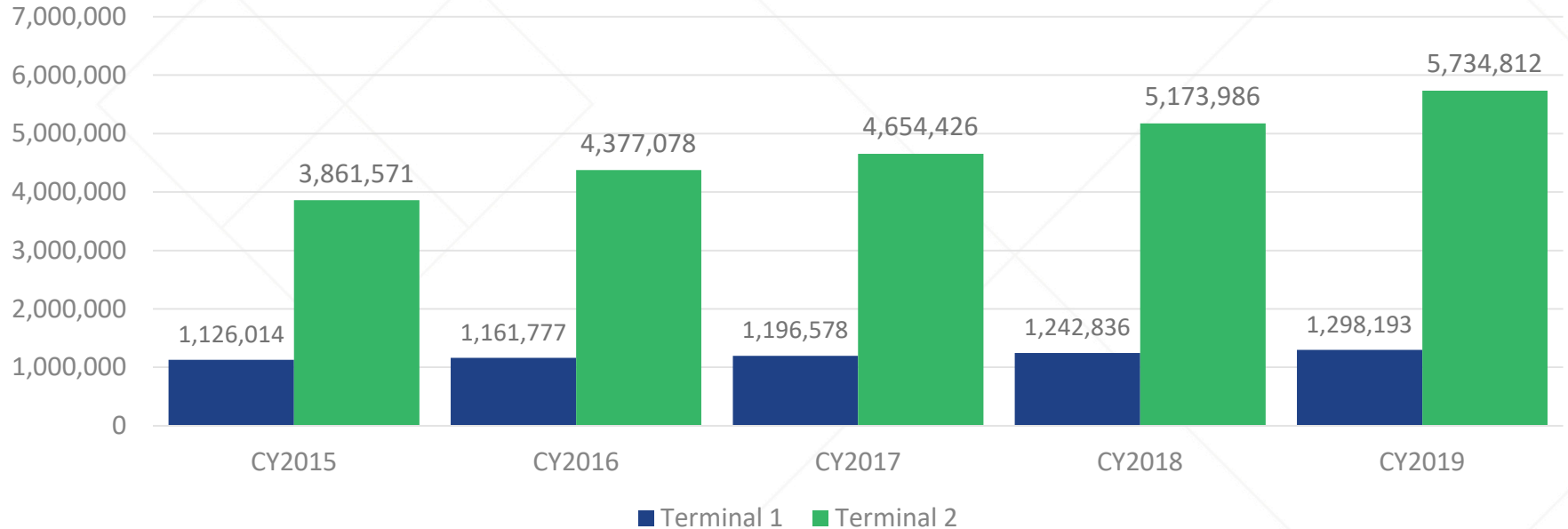
# Passenger Demographics



Source: RDU 2018 Customer Satisfaction Study



# Enplanement History by Terminal

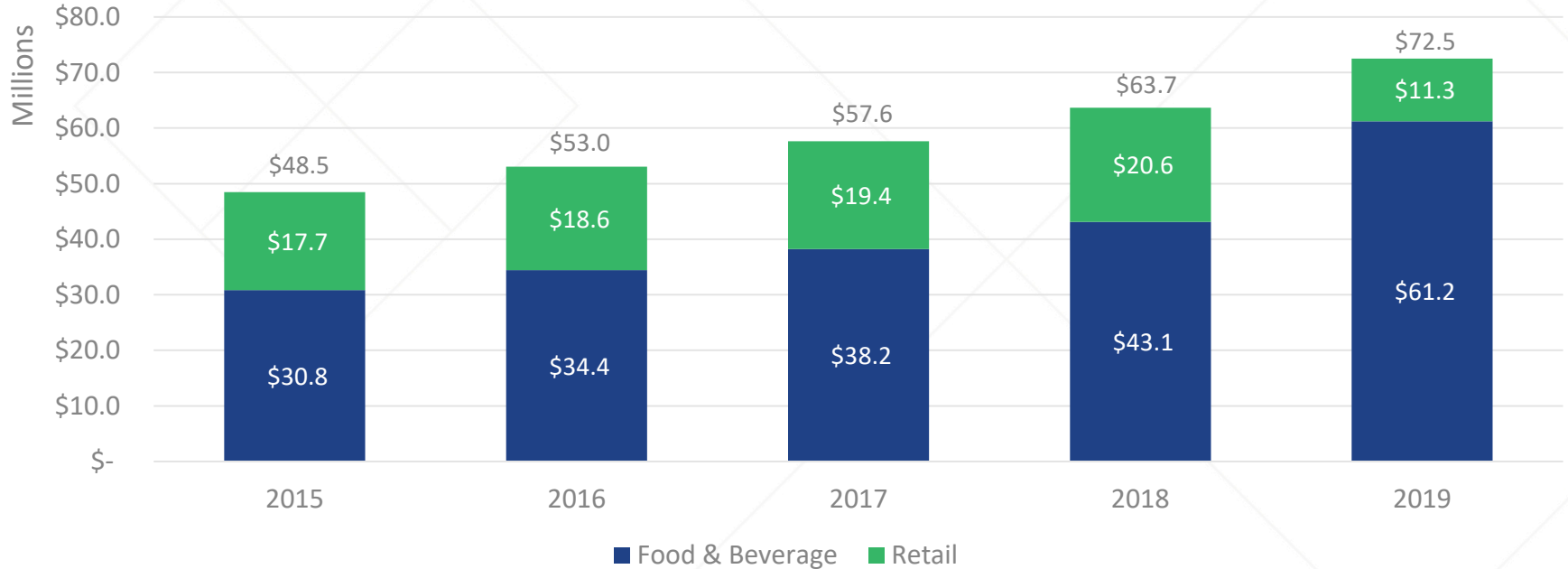




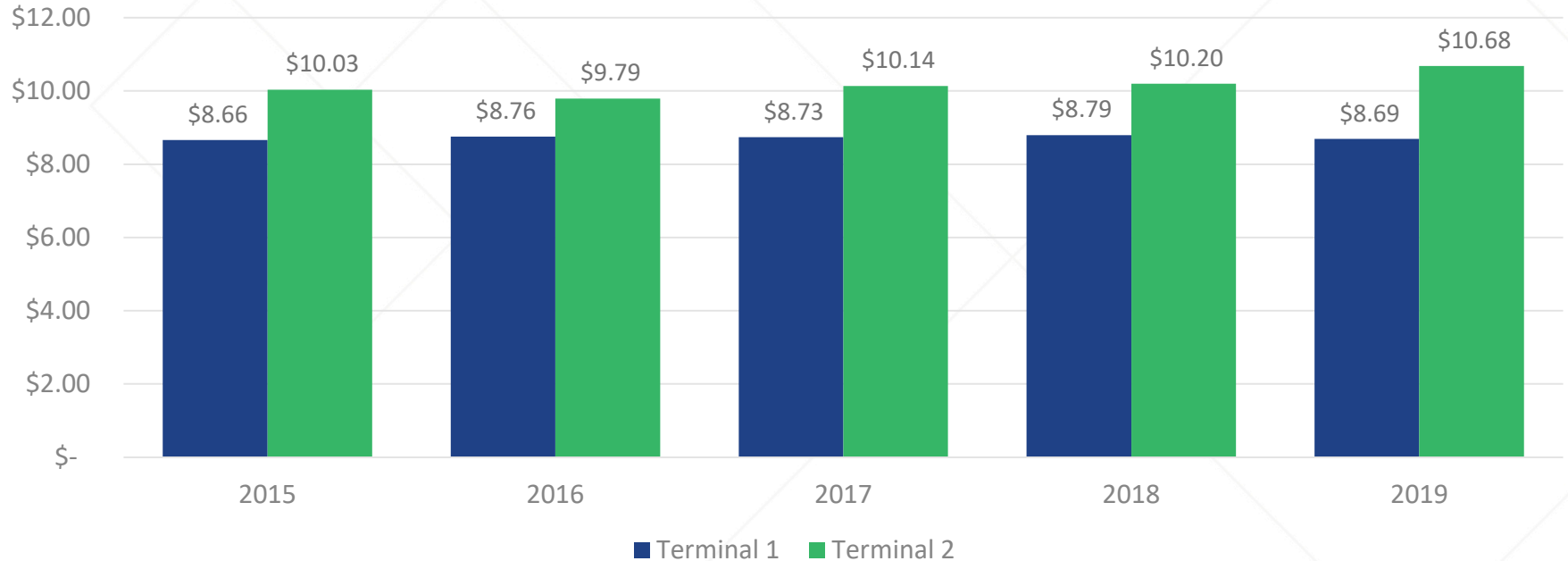
# Gross Sales by Terminal



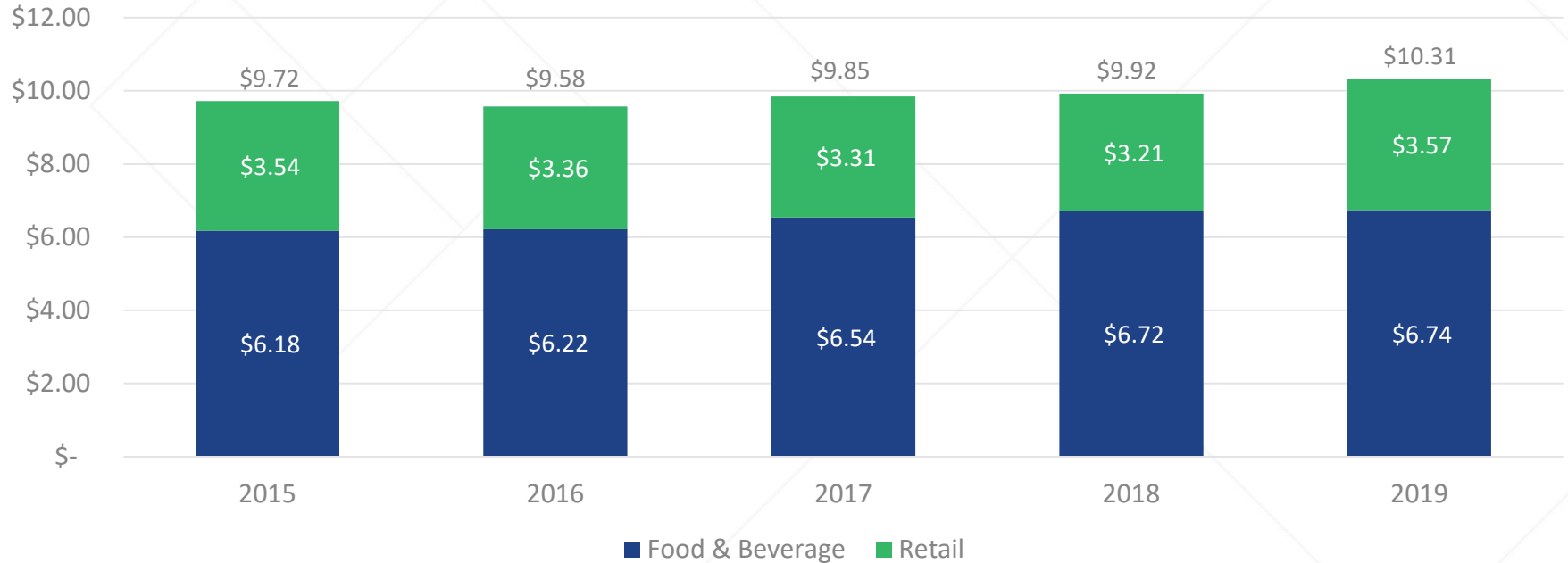
# Gross Sales by Category



# Sales per Enplanement by Terminal



# Sales per Enplaned Passenger by Category







# Questions?



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# Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program Overview



# ACDBE Purpose

- Create a level playing field on which ACDBEs can compete fairly
- Avoid discrimination in the award and administration of concessions opportunities
- Help remove barriers to the participation of ACDBEs in concessions opportunities

# ACDBE Certification

A **small business** owned, operated and controlled by a **socially** and economically disadvantaged individual.

- Presumed **socially disadvantaged** are: African American, Hispanic American, Native American, Asian-Pacific American, Subcontinent Asian American, or Woman
- **Economically disadvantaged**: personal net worth of \$1.32 million or less



# ACDBE Certification

A **small business** owned, operated and controlled by a **socially** and economically disadvantaged individual.

- **Small business:** Gross receipts **cannot exceed \$52,470,000** (non-car rental) and \$75,230,000 (car rental) averaged over 3 years
- Majority-owned (51% or more) by a socially and economically disadvantaged individual

# ACDBE Goals

- Triennial goal is 26.4%, will change in October 2020
- Last year's achievement was 26.9%
- Proposers must meet the ACDBE goal **or** make and document a good faith effort to meet the goal

# ACDBE Participation

- Lease agreement
  - Lease with RDUAA
- Sublease agreement
  - Sublease with third party
- Joint venture agreement
  - Lease with RDUAA
- Supplier

# How to Become ACDBE Certified

- Complete ACDBE application <http://tinyurl.com/ACDBEapply>
- Submit complete application to RDU Small Business Office
- Out of state firms must be certified by their home state first
  - Requires home state application and letter of certification
  - Requires [Interstate Certification Request](#)
  - Submit all documents to RDU Small Business Office

# Minority and Woman-Owned Small Business

- The Authority encourages concessionaires to identify service providers, suppliers and contractors that may be able to assist in concessions build-out.
- Potential concessionaires are encouraged to visit the MWSB directory at [www.rdu.com/mwsbdirectory](http://www.rdu.com/mwsbdirectory)



# Resources


- ACDBE Program:
  - <http://tinyurl.com/ACDBERules>
- ACDBE Certification
  - <http://tinyurl.com/ACDBEcrt>
- Joint Venture Guidance
  - <http://tinyurl.com/jvguide>

A blue-tinted photograph of an airport terminal. In the center, a large white rectangular box with a thin white border contains the word "Questions?" in a white, sans-serif font. The background shows a spacious airport interior with a high ceiling, large windows, and several potted plants. People are visible in the distance, and a man with a suitcase is in the foreground on the left. A white geometric line pattern is overlaid on the left side of the image.

# Questions?



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# Airport vs. Street Operations



# Airport vs. Street Operations

- The Airport is open 24/7, 365 days per year
  - Concessions must operate at least 16 hours/ day, without exception
  - Concessionaires must extend hours of operations to accommodate flight delays and flight cancellations
- Sales per square foot in an airport are typically two to three times higher than most super regional shopping centers

# Airport vs. Street Operations

- Passenger traffic varies throughout the day, the year, and terminal areas
  - Concessionaires must be prepared to achieve a large percentage of sales during peak hours
  - Early morning is rush hour
  - Concessions does not control Airline Gate Assignments; flights may shift from gate to gate



# Airport vs. Street Operations

- Security requirements are stricter than street, resulting in higher operating costs
  - Deliveries must be scheduled and screened
  - Employees must be badged
- Concessionaires are formally evaluated on high standards for quality, service, and operations on a regular basis
- Mid-term refurbishment requirements

# Airport vs. Street Operations

- Operating and maintenance expenses in an airport environment are typically 20 to 30 percent higher
  - Higher labor costs/longer operating hours
  - Employee badging and parking
  - Trash, grease maintenance, supplies, marketing, insurance, etc.
  - Central Receiving and Distribution Center fees

# Airport vs. Street Operations

- Support Spaces – Office and/or Storage
  - Limited storage and office spaces available for tenants
  - Annual per square foot rental rates subject to annual increase
  - Store design should reflect limited available storage space
  - Storage space may not be in close proximity to concessions space

# Airport vs. Street Operations

- Employee Requirements
  - Employees working in a secure area must be badged
  - Employees will need to go through TSA screening each time they enter the terminal
  - 10-year background check, FBI fingerprint check
  - Employees must shuttle to terminals

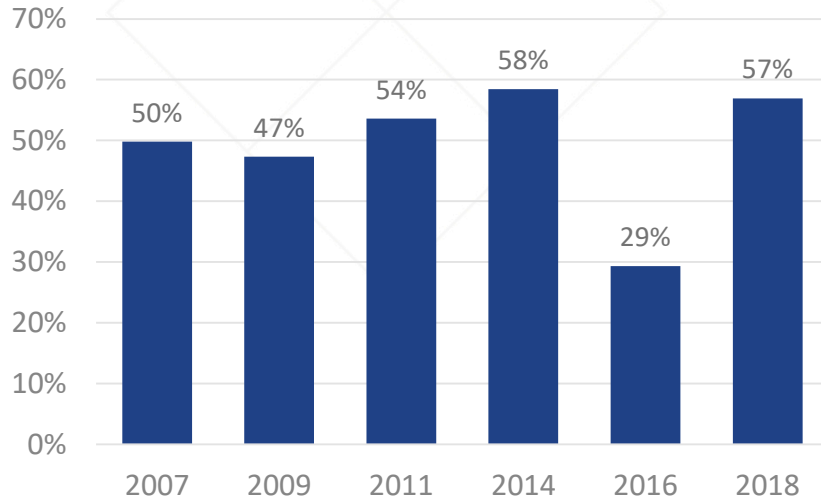
# Airport vs. Street Operations

- Construction
  - Building concession units in an airport environment requires high capital investment
    - Average build-out costs per square foot are three to four times higher
    - Food & Beverage: \$600+ per sq. ft., Retail: \$450+ per sq. ft.
  - Construction activities (noisy, odorous) must occur at night between 11pm and 3 am

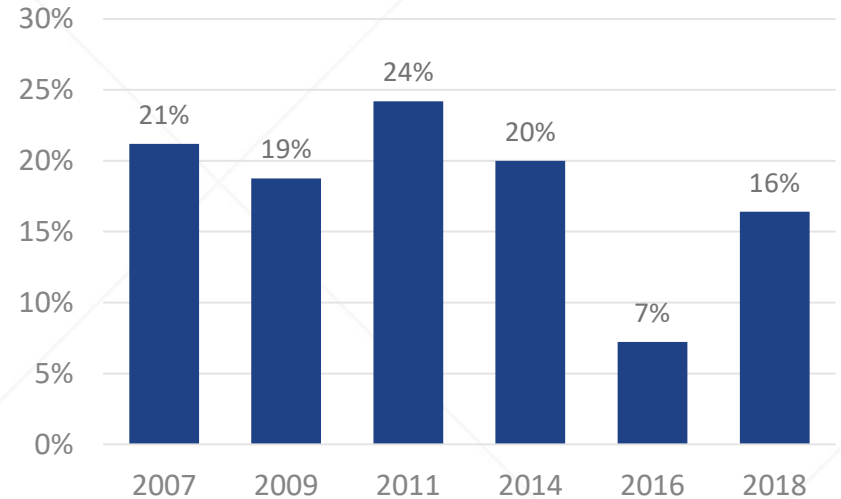


# The Opportunity – Did you make a purchase?

## Food & Beverage

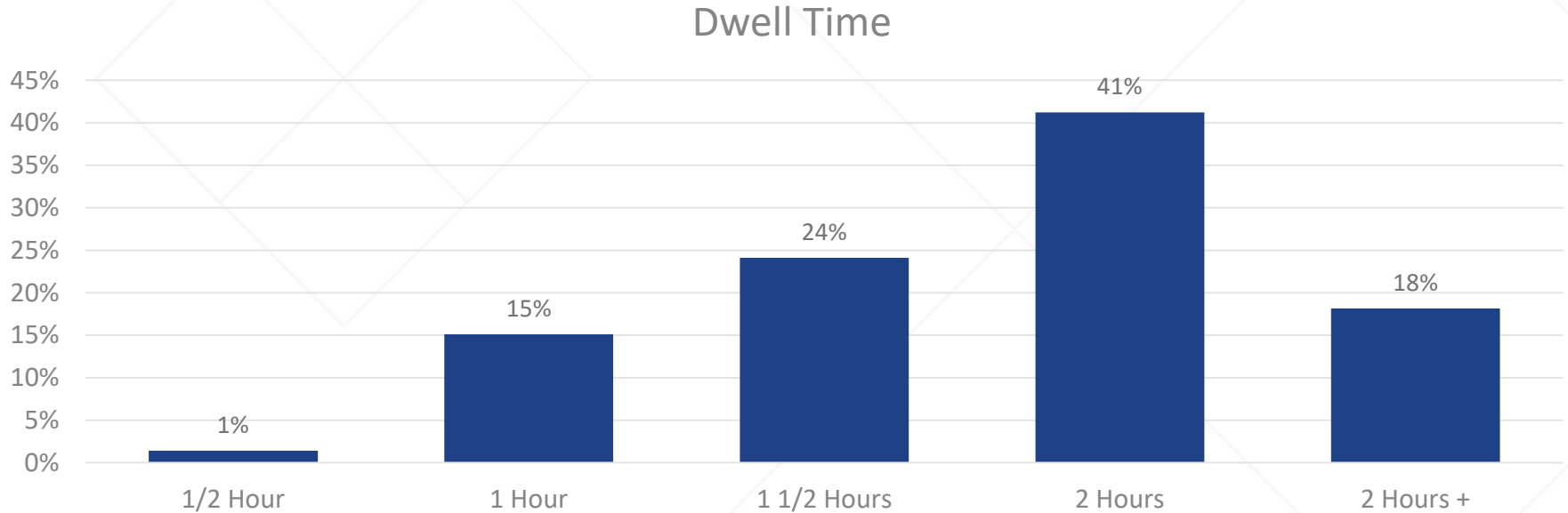


## Retail



Source: RDU 2018 Customer Satisfaction Study

# The Opportunity – Did you make a purchase?



Source: RDU 2018 Customer Satisfaction Study



# Typical Business Terms

- Term: 7 to 10 Years
- Rent and Fees
  - Minimum Annual Guarantee (MAG)
  - Percentage rent
  - Security deposit equal to 3 months MAG
  - Minimum investment per square foot

# Typical Business Terms

- Street pricing +10%
- Annual rent adjustment
  - % of Prior Year Sales
- Mid-Term Refurbishment Requirement
  - 10% of initial build out costs





# Networking Break



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# Solicitation Process



# Solicitation Process - Basics

- Solicitation
  - The process used to purchase goods and/or services
- RFP (Request for Proposals)
  - The full document to include the response form, contract and all other attachments, appendixes
- Solicitation Manager
  - Staff member responsible for the Solicitation

# Solicitation Process - Basics

- Current Opportunities
  - RFPs or other competitive solicitations listed on the Authority's website
- Respondent
  - Company/Individual that responds to the solicitation
- Response
  - The completed Response Forms with all the required attachments submitted by the Response Deadline

# Solicitation Process - Basics

- Interim Opportunity
  - Concession opportunity with shorter term than a traditional unit with lower minimum qualifications and capital investment
- Interim Brochure
  - Describes opportunity, space, business terms, Authority expectations / requirements
- Interim Application
  - Concept / business information & experience, proposed menu, proposed rent, proposed tenant improvement, ACDBE participation

# What is a Solicitation?

- A specific process that is followed to:
  - Develop and issue the document
  - Receive and answer questions from potential respondents
  - Receive responses
  - Evaluate responses
  - Select and award a contract

# What is a Request For Proposal (RFP)?

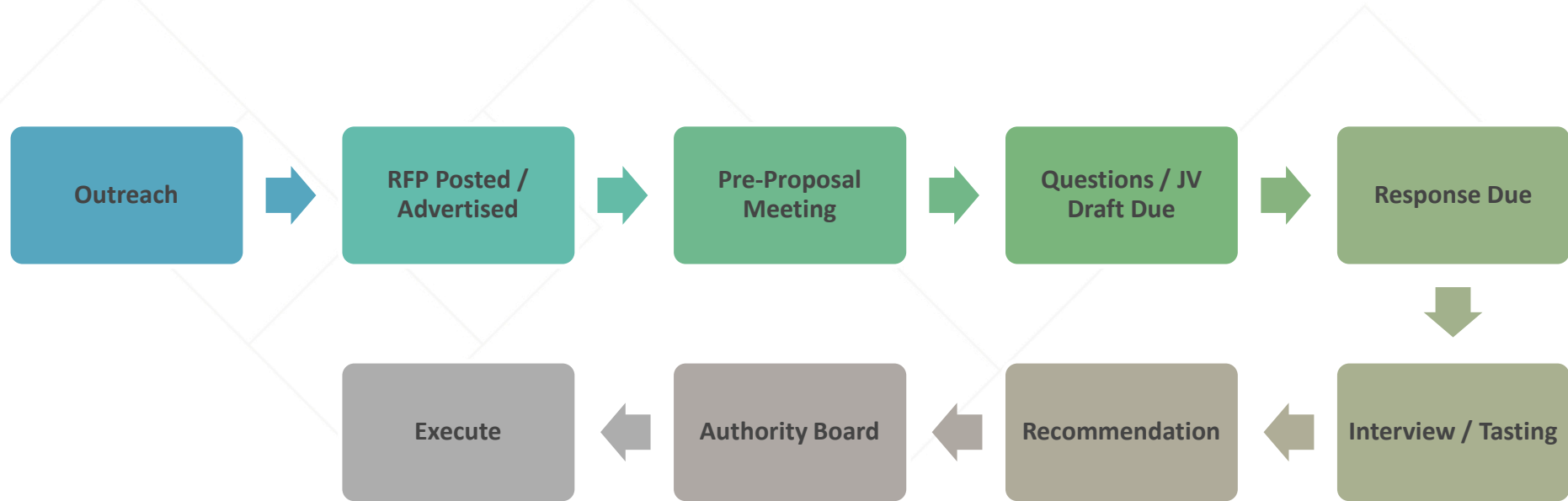
- A written document that contains:
  - Background information about the project
  - Description of what services and/or goods are needed
  - A schedule that provides important dates and deadlines
  - Minimum qualifications or requirements that must be met to submit a response
  - Description of the evaluation criteria and evaluation process
  - ACDBE participation requirements



# Solicitation Process

- Response Forms
  - The forms that are to be completed and submitted by the Respondent as presented in the solicitation document (RFP)
  - Submit no later than the Response Deadline or the Response Forms will not be accepted

# Solicitation Process



# Solicitation Process

- Outreach
- Authority posts RFP and advertises the opportunity
- Pre-Proposal Conference
  - A public meeting attended by all potential Respondents
  - Purpose: To provide Information regarding the solicitation and Answer questions from potential Respondents Site Tour
  - A tour given by the Authority staff to show locations and/or existing conditions

# Solicitation Process

- Questions / JV Draft Due
  - Written questions submitted by respondents, Authority answers in Addendum to RFP
  - ACDBE JV Draft Agreement submitted (if applicable, optional), Authority reviews and provides comment
- Response Deadline
  - The date and time by which responses must be received by the Authority
  - A response received after the Response Deadline will not be considered

# Solicitation Process

- Evaluation Committee
  - Individuals selected to evaluate the submitted Response(s)
- Minimum Qualifications
  - Requirements the Respondent must meet to be part of the evaluation process
  - If the Minimum Qualifications are not met, the Response will be rejected

# Solicitation Process

- Evaluation Criteria
  - A description of how each response will be evaluated
- Sample Criteria
  - Company Experience & Background
  - Management & Operations Plan
  - Concept & Design Plan
  - Financial Plan
  - ACDBE Participation



# Solicitation Process

- Interview & Tasting
  - Meetings between the Evaluation Committee and each Respondent
  - Evaluation Committee asks clarification questions about the Response
  - Respondent answers questions and presents their products and services

# Solicitation Process

- Recommendation and Execution
  - Evaluation Panel submits recommendation to Solicitation Manager and Commercial Management Division
  - Staff presents recommendation to Authority Board
  - New tenant and Authority CEO execute contract

# Solicitation Process – Sample Solicitation Schedule

## Solicitation Schedule

Solicitation Advertised – Cone of Silence

Solicitation Released On Authority Website

Response Deadline

Evaluation Meetings / Presentations

Selection and Award By The Authority's Board

## Duration

From advertising to award

Release Date

60-90 days after release

30 days after response

2 months after response

# Solicitation Process – Cone of Silence

- Applies to all competitive solicitation processes
- Protects the integrity of the solicitation process
- Begins with advertising the solicitation
- Ends with selection by the Authority's Board
- Allows communication with the Solicitation Manager and Authority's Legal Affairs Department only
- Prohibits communication with Board, Authority staff, technical evaluation committee

# Solicitation Process – Top Tips

- Review the solicitation documents thoroughly
- Follow instructions and pay attention to deadlines
- Attend mandatory Pre-Solicitation Meetings and Site Visits
- Be familiar with information made available on the Authority's website
- Ensure minimum qualification requirements are clearly met
- Submit relevant references
- Don't assume and submit questions early in the process
- Submit ALL questions to the Procurement Agent in writing
- Proofread and review your response carefully before submission
- Allow plenty of time to submit your response

# Solicitation Process – How to get involved?

- Airport Leasing Models
  - Prime Operator(s)
  - Direct Leasing
  - Hybrid
- Business Partnerships
  - Propose Directly
  - Joint Venture
  - Sublease



The background is a photograph of an airport terminal with a high glass ceiling and people walking. A white rectangular box with a thin border is centered on the image. Inside the box, the word "Questions?" is written in a large, white, sans-serif font. The box has a small white triangle pointing to the left on its left side.

# Questions?



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The background of the slide is a photograph of an airport terminal, overlaid with a semi-transparent blue filter. In the center, there is a white rectangular box with a thin white border. Inside this box, the text "Next Steps" is written in a large, white, sans-serif font. The terminal background shows people walking, check-in counters, and large windows.

# Next Steps



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# Outreach Plan

Date	Event
<p>Date: January 23, 2020 <b>Location: RDU Center</b> Time: 8:30 am - 12:30 pm</p> <p>Concessions 101 Workshop February, 2020</p>	<ul style="list-style-type: none"><li>• <b>Concession Basics “101” Workshop</b><ul style="list-style-type: none"><li>– RDU &amp; Concession Program Overview</li><li>– The basics of operating in an airport environment</li><li>– Differences between operating environments (street vs. airport)</li></ul></li></ul>
<p>Date: March 24, 2020 <b>Location: TBD</b> Time: 8:30 am - Noon</p>	<ul style="list-style-type: none"><li>• <b>Concession Basics “102” Workshop</b><ul style="list-style-type: none"><li>– RFP Document &amp; How to prepare a Proposal Response</li><li>– Financial Overview (Preparing Proformas &amp; Financial Process)</li><li>– ACDBE Certification Process</li><li>– Doing Business with the Airport: Solicitation Details</li><li>– Networking</li></ul></li></ul>



# Estimated Schedule

Date	Event
January 23, 2020	Concession 101 Outreach Event
January – February 2020	Additional Concession 101 Outreach Events
March – April 2020	Concession 102 Outreach Events
June 2020	Pre-RFP Issuance Outreach Meetings
June/July 2020	Issue Terminal 2 Request for Proposal

Registration for future opportunities

Visit

[www.rdu.com/concessions](http://www.rdu.com/concessions)

to register today.

We thank you for your interest in Raleigh-Durham International Airport!





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Questions?



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# Interim F&B Concession Opportunity



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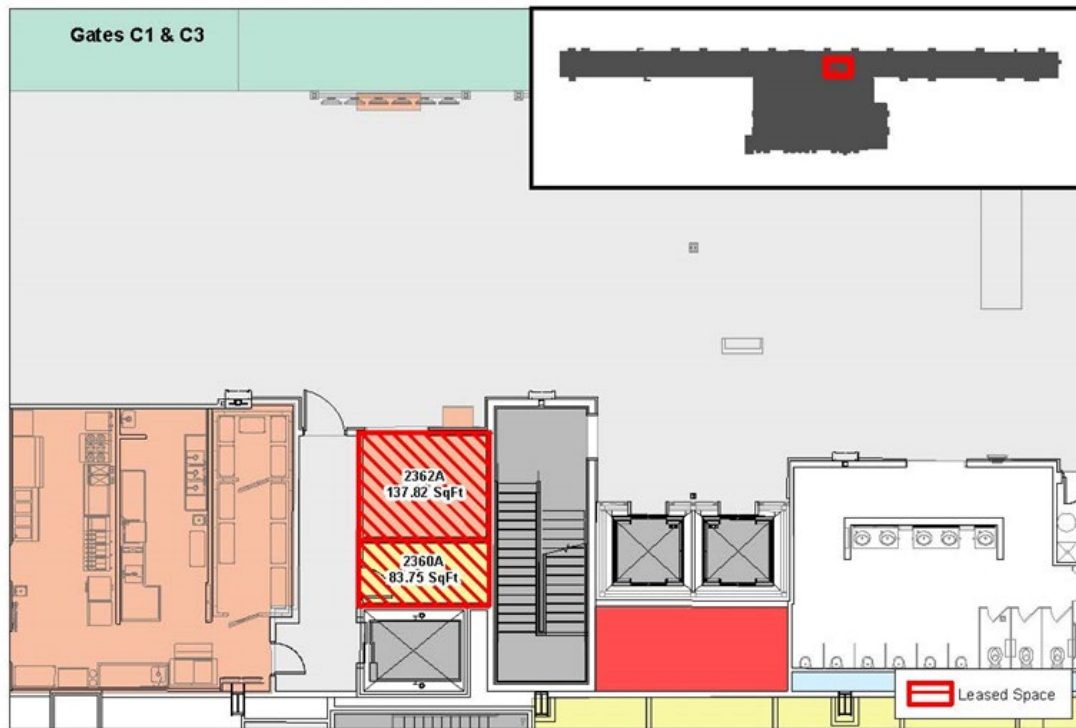
# Unit 2362A / 2360A



**Applicants encouraged to explore a kiosk, cart, or self-sustaining operation**

- Suggested concept:
  - Ice cream
  - Snack
  - Coffee
  - Smoothie
  - Grab-and-go

# Unit 2362A / 2360A



Terminal 2: Level 2: Room 2362A  
Temporary Concessions



## Approximate Interior Dimensions

Unit	Depth	Width
Service: 2362A	10' 7"	12' 3"
Storage: 2360A	5' 10"	12' 3"



# Business Terms

- MAG: \$24,000
- Percent Rent
  - Food, Non-Alcoholic Beverage: Propose - minimum 12%
  - Alcoholic Beverage: Propose - minimum 17%
- Capital Investment: Proposed by applicant
- ACDBE Participation: Min. 26.4%

# Schedule

## Solicitation and Implementation Schedule

Solicitation Posted to Website	1/7/20
Pre-Proposal Meeting	1/23/20
<b>Questions and Optional JV Agreement Due</b>	<b>2/5/20</b>
Answers and JV Review Posted to Website	2/14/20
<b>Applications Due by 10:00am Local</b>	<b>3/2/20</b>
Interview (if necessary)	3/12-3/13/20
Lease Executed	3/16-4/2/20
Board Approval	4/16/20
Design Kickoff	4/20/20
60% Design & Transition Plan Due	5/7/20
Plan Review, Permitting, Build-Out	60 to 120 days depending on Selected Applicant



# Evaluation Criteria

- Concept
  - Brand/culture, products, customer service, community involvement
- Experience and Qualifications
  - Similar locations, dates of operation, size, fees/rent, sales
- Financial Return to RDU
  - Propose percent rent, use pro-forma to justify
- Design of Tenant Improvement
  - Layout, furniture, fixtures, equipment, finishings
- ACDBE
  - Propose participation level





Thank You!



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