



## MEMORANDUM

**TO:** Mayor and City Council

**FROM:** Jim Smith, Executive Director  
Department of Aviation

**DATE:** December 1, 2017

**SUBJECT:** Airport Concession Program

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This memo pertains to Item Nos. 6 through 14 on the December 7, 2017 City Council agenda regarding the concession contracts Aviation staff recommends for retail and food and beverage concessions at Austin-Bergstrom International Airport (Airport).

In accordance with federal law, the Airport is self-sustaining—generating its own revenue to fund its operating costs and capital improvements. Accordingly, the Airport generates revenue from such sources as parking, rental cars, and retail and food and beverage concessions. In FY17, the Airport generated \$82,634,349 in non-aeronautical revenue which consists of 55% of all revenue generated at the Airport.

As the airport of choice for Central Texas, the Airport's passenger traffic continues to grow with over 13 million passengers to date, and both domestic and international passenger traffic expected to double in 20 years. The Airport experienced consistent passenger growth for 83 of the last 86 months, and continues to outperform passenger growth trends with 68 nonstop domestic and international destinations and 19 different air carriers serving our community.

To address air service demand and passenger growth, the Airport is undergoing a terminal expansion project to add 9 additional gates. Accordingly, the Airport issued a solicitation for retail and food and beverage concessions in the new gate expansion locations as well as in existing locations inside the current terminal that are available due to expired leases.

The two main goals of the solicitation are: (1) Economic Development and (2) Customer Satisfaction. To reach these goals and meet the needs of a growing family-friendly, business, and international traveling community, the solicitation was developed to increase opportunities for Airport Concessions Disadvantaged Business Enterprises to participate, diversify food offerings and provide high-quality retail, and create economic sustainability for the Airport. With this in mind, interested companies had 15 different packages to bid on and the Airport hosted or coordinated at least a dozen of outreach events, public notices, and/or workshops for the community to be informed on the solicitation and its process. As a result of this, a total of 18 offerors responded to the solicitation and only 2 were disqualified for failure to submit a response which met the minimum requirements of the applicable package.

Staff recommends the negotiation and execution of concession contracts to 9 different companies which represent over half of the qualified offerors. Staff recommendations will provide the entire Airport concession program to consist of 70% local/regional brands and 30% non-local/national brands. According to a benchmarking airport survey conducted by ACI-NA (airport industry trade group), other airports consist of 20% local/regional brands while 80% are national/non-local/international brands.

Airport concessions are subject to the Federal Airport Concessions Disadvantaged Business Enterprise (ACDBE) regulations (49 C.F.R. Part 23) and the federally approved City of Austin ACDBE plan (Plan). The Airport has an

11.06% ACDBE goal under that Plan for on-airport concessions. Staff recommendations is expected to achieve 23.42% ACDBE participation—well above the Airport's goal of 11.06% ACDBE participation.

Staff recommendations include the following retail and food and beverage concessions in the terminal 9-gate expansion as well as in spaces made available in the current Airport terminal due to expired leases. *See also* attached map of recommended Airport concessions.

Local/Regional Brands

24 Diner  
Austin Beer Works  
Café Medici  
Fara Café  
Hardies Fresh Foods  
James Avery Jewelry  
Jugo  
Noble Sandwich Company  
Parkside  
Salvation Pizza  
Sky Bar  
Sushi-A-Go-Go  
Torchy's Tacos  
Toy Joy & Yummy Joy

Non-Local/National/International Brands

ABIA Duty Free  
Austin Chronicle (news/convenience store)  
Barton Springs Express (news/convenience store)  
Brighton Collections (women's accessories)  
CNBC Store (news/convenience store)  
Hammer Made (men's clothing)  
InMotion (technology and electronics store)  
Starbucks  
The Scoreboard (athletic wear)  
Vino Volo (High Plains & Hill Country wine bars)  
XpresSpa

These concession contracts will include contract terms in support of City Council policy initiatives such as requiring concessionaires to pay the living wage rate, meet ACDBE participation, and include labor peace provisions.

The Airport Advisory Commission (AAC) met on November 14, 2017 and recommended the approval of all staff recommendations except for the contract with XpresSpa Austin Airport, LLC. The AAC recommended negotiation and execution of a concession agreement with the fourth-ranked qualified offeror Knot Anymore, LLC (Knot Anymore) — a locally based company. Federal regulations may prohibit the City from awarding airport contracts based on local presence.

Should you have any questions or need additional information, please do not hesitate to contact me.



Jim Smith  
Executive Director

CC: Elaine Hart, Interim City Manager  
Joe Pantaloni, Interim Assistant City Manager  
Susana Carbajal, Department of Aviation Assistant Director

# Recommended Airport Concessions

