



MEMORANDUM

TO: Mayor and City Council

FROM: Jacqueline Yaft, Executive Director
Department of Aviation

DATE: February 14, 2020

SUBJECT: Airport Common Use Lounge (Council Item No. 3 – Feb. 20, 2020 Council Agenda)

This memo pertains to [Item No. 3 on the February 20, 2020 City Council agenda](#) regarding the concession contract Aviation staff recommends for a shared use lounge service 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 FY19, the Airport generated \$97,748,014 in non-aeronautical revenue which consists of 53% of all revenue generated at the Airport.

The Airport's passenger traffic continues to grow with over 17 million passengers in 2019, and both domestic and international passenger traffic are expected to double in 20 years. In 2019, the Airport increased passenger travel by 9.62% from 2018 and continues to outperform passenger growth trends with 68 nonstop domestic and international destinations and 18 different air carriers serving our community. Southwest Airlines continues to hold the largest market share with 32% of passenger traffic.

Delta, American, and United Airlines have invested significant resources in designing, developing, and operating lounges at the Airport for their specific airline customers. To provide traveling passengers from other airlines a comfortable environment with similar airport lounge amenities, the Airport issued a solicitation for the design, development, and operation of a common-use airport lounge facility in the Barbara Jordan Terminal.

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 domestic and international traveling community, the solicitation was developed to increase opportunities for Airport Concessions Disadvantaged Business Enterprises to participate, convey a positive sense of Austin and Central Texas, and create economic sustainability for the Airport. The solicitation requested bidders to propose an airport lounge facility approximately 8,000 square feet in size to be located in the east mezzanine level of the Barbara Jordan Terminal offering passengers day passes or annual memberships to use lounge amenities including meeting rooms, local cuisine and beverages, and a non-denomination prayer room. A total of 5 offerors responded to the solicitation.

Staff recommends the negotiation and execution of a concession contract with MAG US Lounge Management LLC (MAG US Lounge) to lease, design, construct, operate, and maintain a common use lounge at the Airport (Item No. 3 on the Feb. 20 City Council Agenda). MAG US Lounge received the highest score from the solicitation committee's evaluation.

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. MAG US Lounge is expected to achieve a 13%

ACDBE goal. MAG US Lounge's ACDBE partner is D&B Mitchell Group, a Texas based company with a combined 80 years of experience as food and beverage restaurant operators.

The concession contract with MAG US Lounge 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 labor peace provisions.

The Airport Advisory Commission (AAC) met on November 12, 2019 and took no action on this item. The AAC met on December 10, 2019 and voted 5-1-2-2 on a neutral vote to recommend this item to Council. The AAC met again on January 14, 2020 and postponed taking additional action. The AAC has had more than 90 days to review this item. At all three meetings, the second-ranked offerer addressed the AAC along with its ACDBE partner which has a local presence. Federal regulations 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.

CC: Spencer Cronk, City Manager
Gina Fiandaca, Assistant City Manager
Susana Carbajal, Department of Aviation Assistant Director