

# Business Information and Local Outreach Meeting

Concerning upcoming opportunities for in-terminal concessions at  
Palm Springs International Airport

PRESENTED TO:

The Local Business Community

PRESENTED BY:

Rawley Vaughan

PRESENTED ON:

6 Feb 2020

# Overview

## Business Information and Local Outreach Meeting

- The purpose of this public meeting is to inform local and national businesses how they can participate in the concessions program at Palm Springs International Airport (PSP).
- Agenda
  - the upcoming opportunity regarding in-terminal concessions
  - a general overview of the RFP procurement process
  - the nature of a Concession Agreement
  - the operating characteristics unique to the Airport environment
  - the recent financial performance of the existing concessions program

**A Proposer may bid on one, two or three of the following opportunities:**

- **Retail**  
incl. Vending and Duty Free
- **Food & Beverage**
- **“Blank Slate”**

# Introduction

## The Opportunity of Airport Concessions

- Pros
  - Access to the affluent population of air travelers as they wait for their flights
  - Exposure of your brand
- Cons
  - High capital investment
  - Difficult operating requirements

Operating at an Airport is not like "Main St" or the mall



# The Process

## A valid Proposal will be a comprehensive document

- Including items such as details to be provided in the RFP
  - Cover letter
  - Executive summary
  - Proposal checklist (e.g., table of contents)
  - Various forms required by the City
  - Experience of the Proposer
  - Brands and concepts
  - Facility design and quality of improvements
  - Management and operations plan
  - Summary of key financial propositions
  - Financial pro forma
  - Project cost plan
  - Financial background information
  - Proposal guaranty



# The Process

## What is a Concession Agreement?

- A Concession Agreement is a legal document, that is a
  - Lease of on-Airport premises
  - Recognition of privileges to conduct business on Airport property
  - Creation of the relationship between Airport and concessionaire
- Any Concession Agreement is subject to applicable Federal, State and City laws and regulations
- A draft Concession Agreement will be made public as an attachment to the RFP



# The Process

## What is a Concession Agreement?

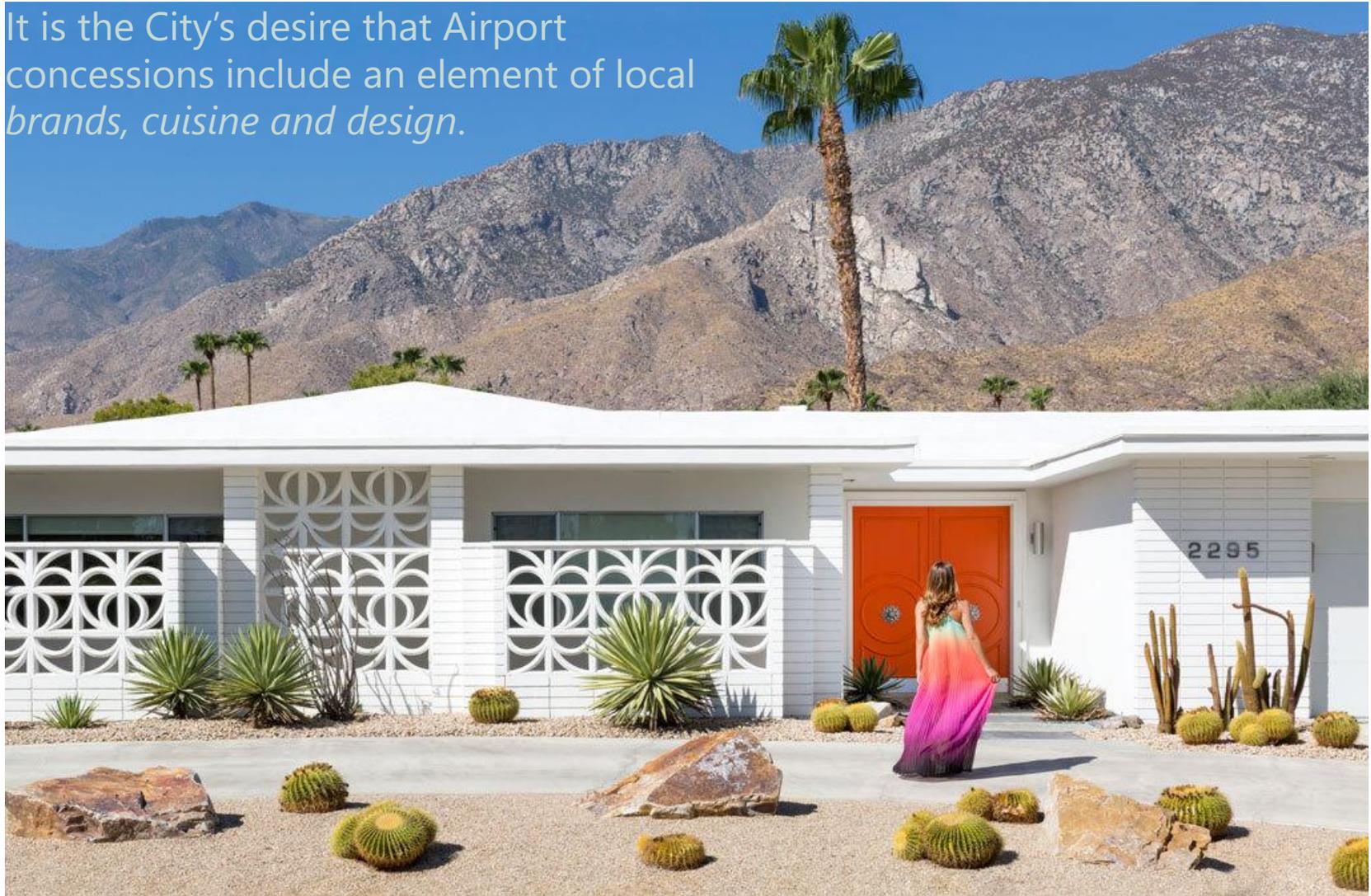
- Key business terms in a Concession Agreement are
  - Term (i.e., years in length)
  - Privileges (e.g., retail goods but not cooked food, or vice versa)
  - Concession Rent (Cf. right margin)
  - Other concession fees
  - Obligations (e.g., timely payments, reporting requirements, maintenance responsibility)
  - Performance standards
  - Pricing policy
  - Capital improvements (i.e., minimum per-sq-ft investment)
  - Requirements for mid-term capital investment

### Concession Rent

- Airport concessionaires typically do not pay space rent (i.e., on a per-sq-ft basis)
- Instead, they pay the higher of these two types of fees:
  - **Minimum Annual Guarantee (MAG)**  
rental “floor”, irrespective of sales
  - **Percentage Rent**  
share of gross sales

# Define “Local”...

It is the City’s desire that Airport concessions include an element of local *brands, cuisine and design.*



# ACDBE Program

## Airport Concessions Disadvantaged Business Enterprise

- The Airport must meet the regulatory requirements of 49 CFR Part 23, which is one of the many Grant Assurances that are the obligations of airport sponsors (viz the City) to the U.S. government as a condition of their receipt of FAA grants.
  - The purpose of these regulations is to prevent discrimination on the basis of race, color, national origin, or sex in connection with the award or performance of any concession agreement (or other similar contract)
  - Goals (of % participation by certified ACDBEs) are set every three years
  - PSP's goal is 4.6%
- 49 CFR § 23.79 states:

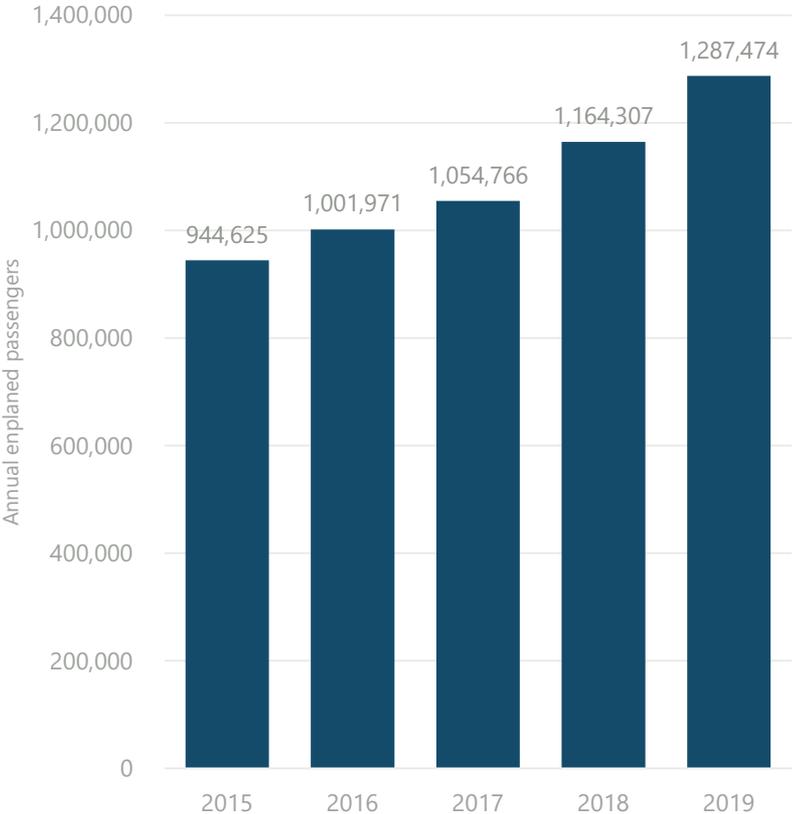
*Does this part permit recipients to use local geographic preferences? No. As a recipient you must not use a local geographic preference. For purposes of this section, a local geographic preference is any requirement that gives an ACDBE located in one place (e.g., your local area) an advantage over ACDBEs from other places in obtaining business as, or with, a concession at your airport.*

- The Airport's ACDBE Liaison Officer is Mark Jucht. The Airport's ACDBE policy statement is available online at <https://www.palmspringsca.gov/home/showdocument?id=63257>

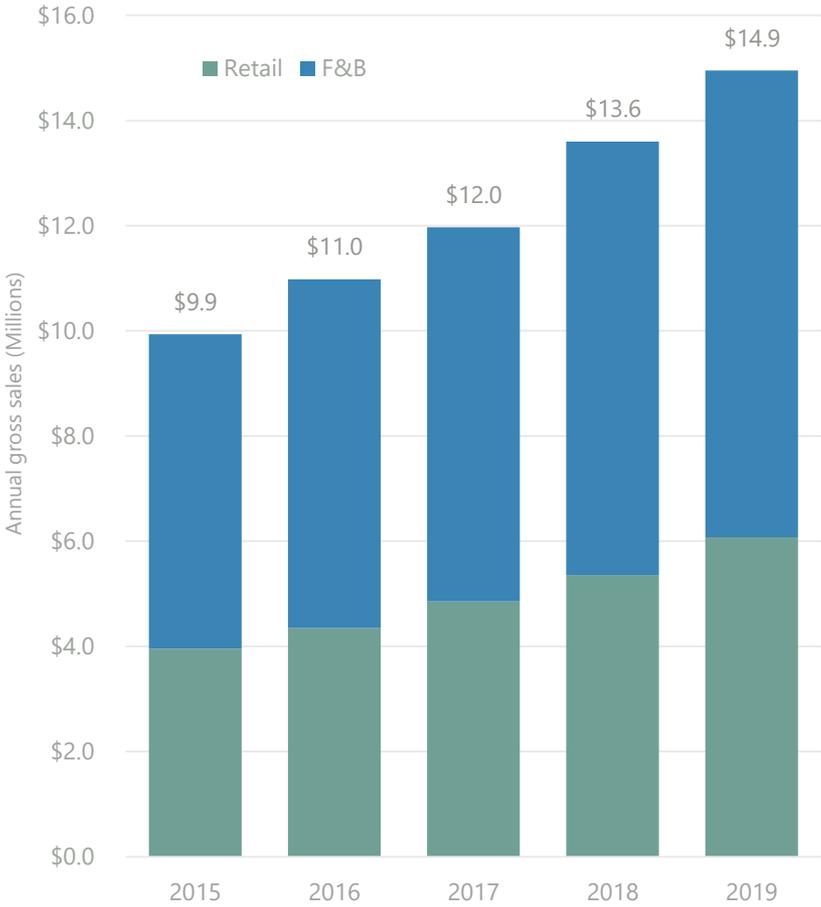
# Historical Performance

## Strong and trending up, but the program needs more space

Recent passenger growth has a CAGR of 8.0%

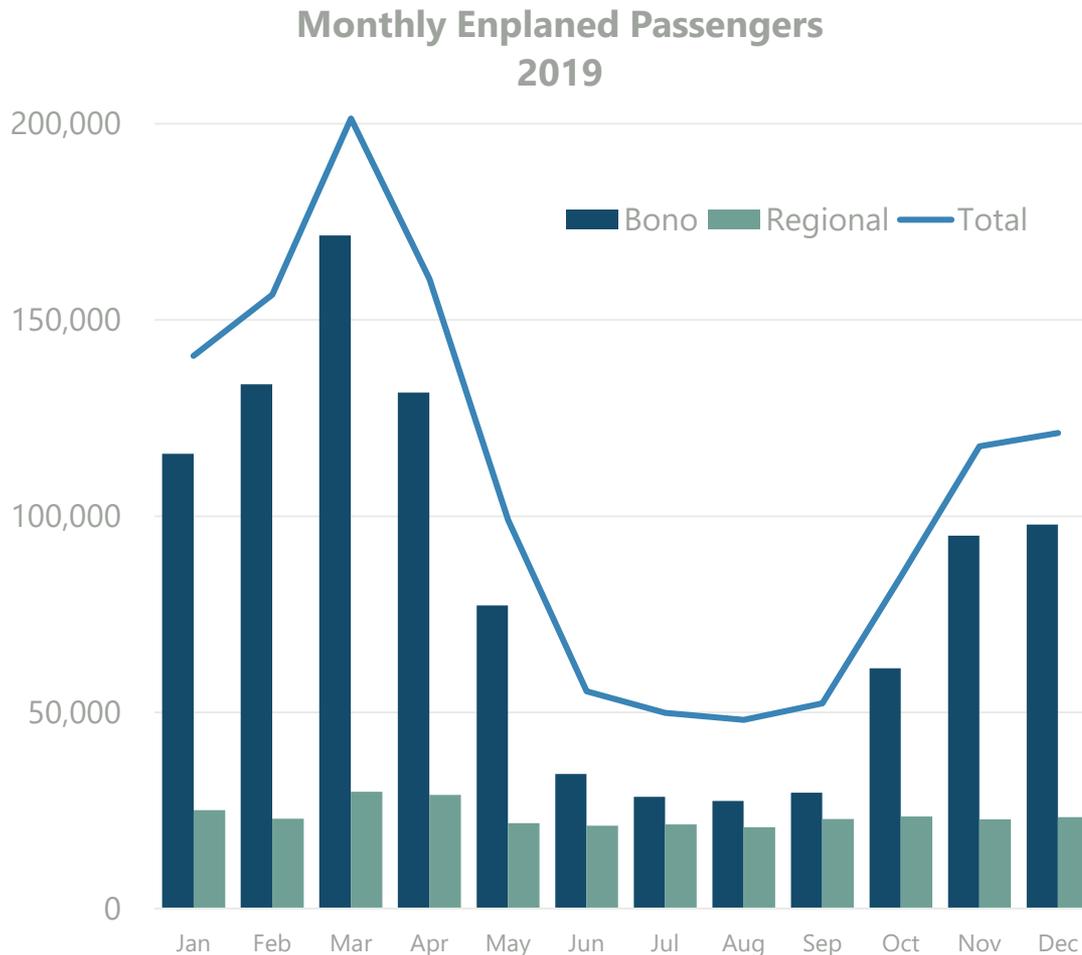


Sales have a 10.7% CAGR over the same period



# Activity is Very Seasonal

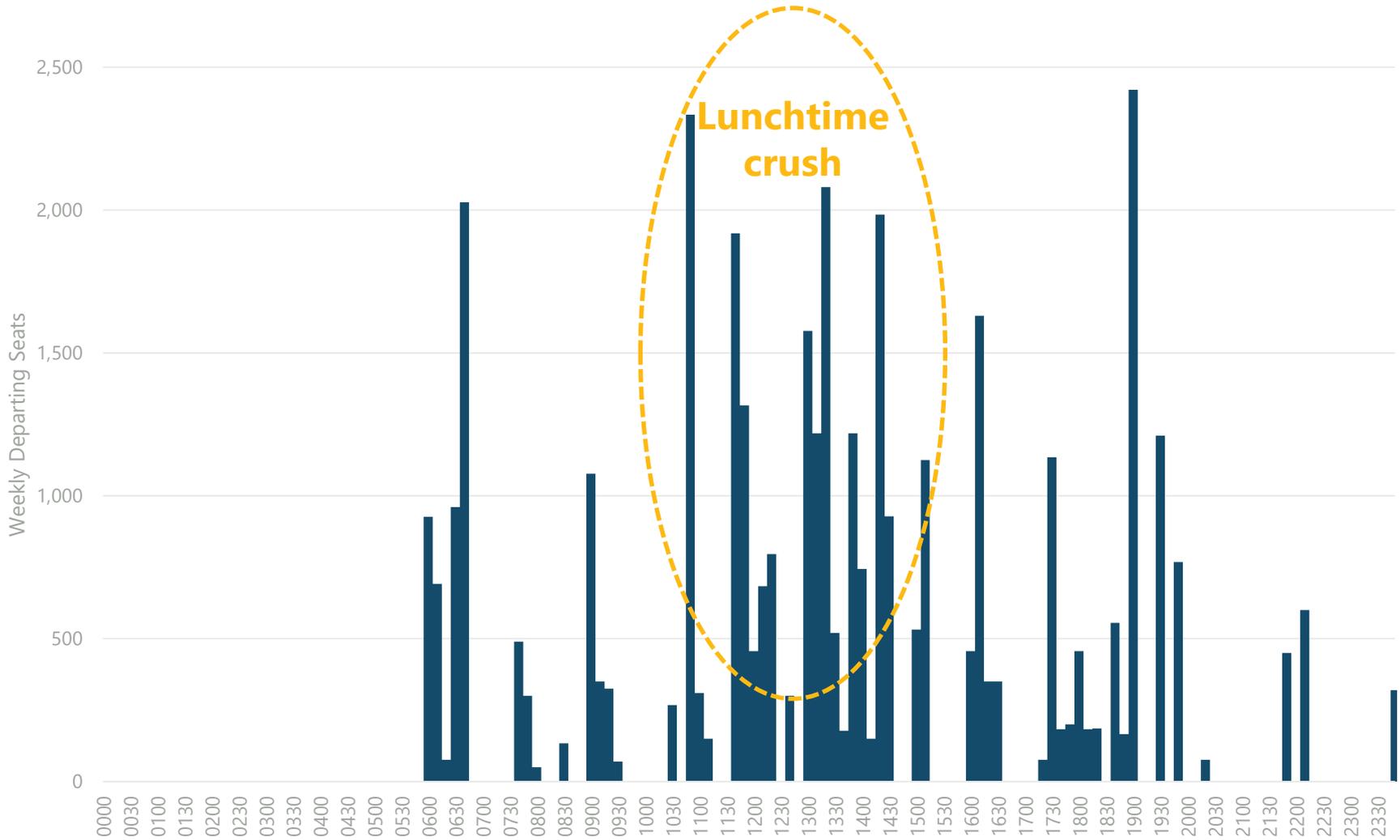
## Thus requiring creative solutions for peak periods



- Peak activity (March) is 4x the activity during off-peak
- Activity in the Regional Concourse is stable; the fluctuations are in the Bono
- Can your business model endure 4 months of off-peak demand?

# Time-of-day Variance

## Average weekly departing seats during January 2020



# Capital Considerations

## An airport is an expensive construction site

- Construction
  - Design approval
  - Permitting
- High costs, with prescribed psf minimums
- Must occur inside an active airport
  - Background checks in sensitive areas
  - Work goes on during non-peak times



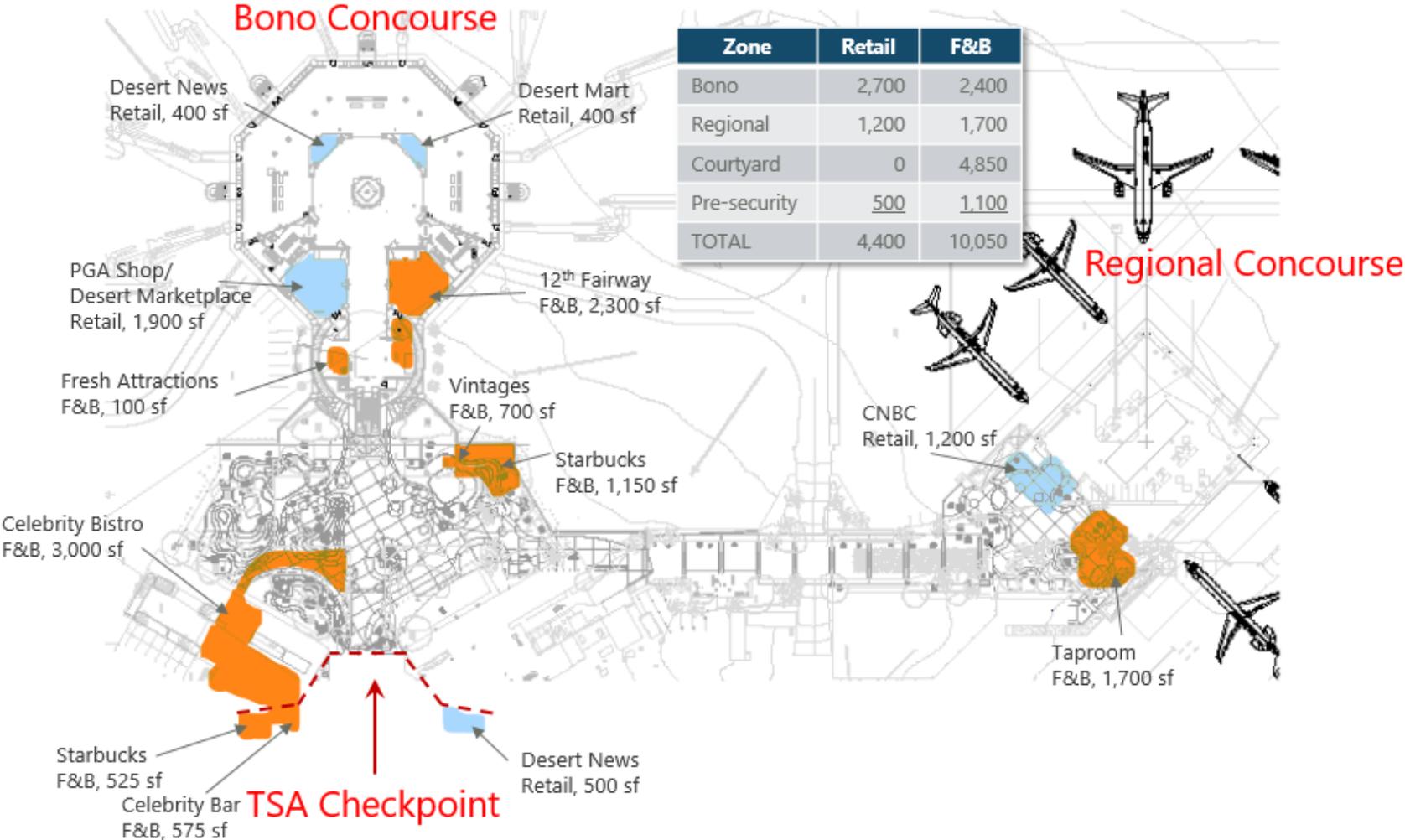
# Operational Considerations

## Many brands are not easily adapted to an airport setting

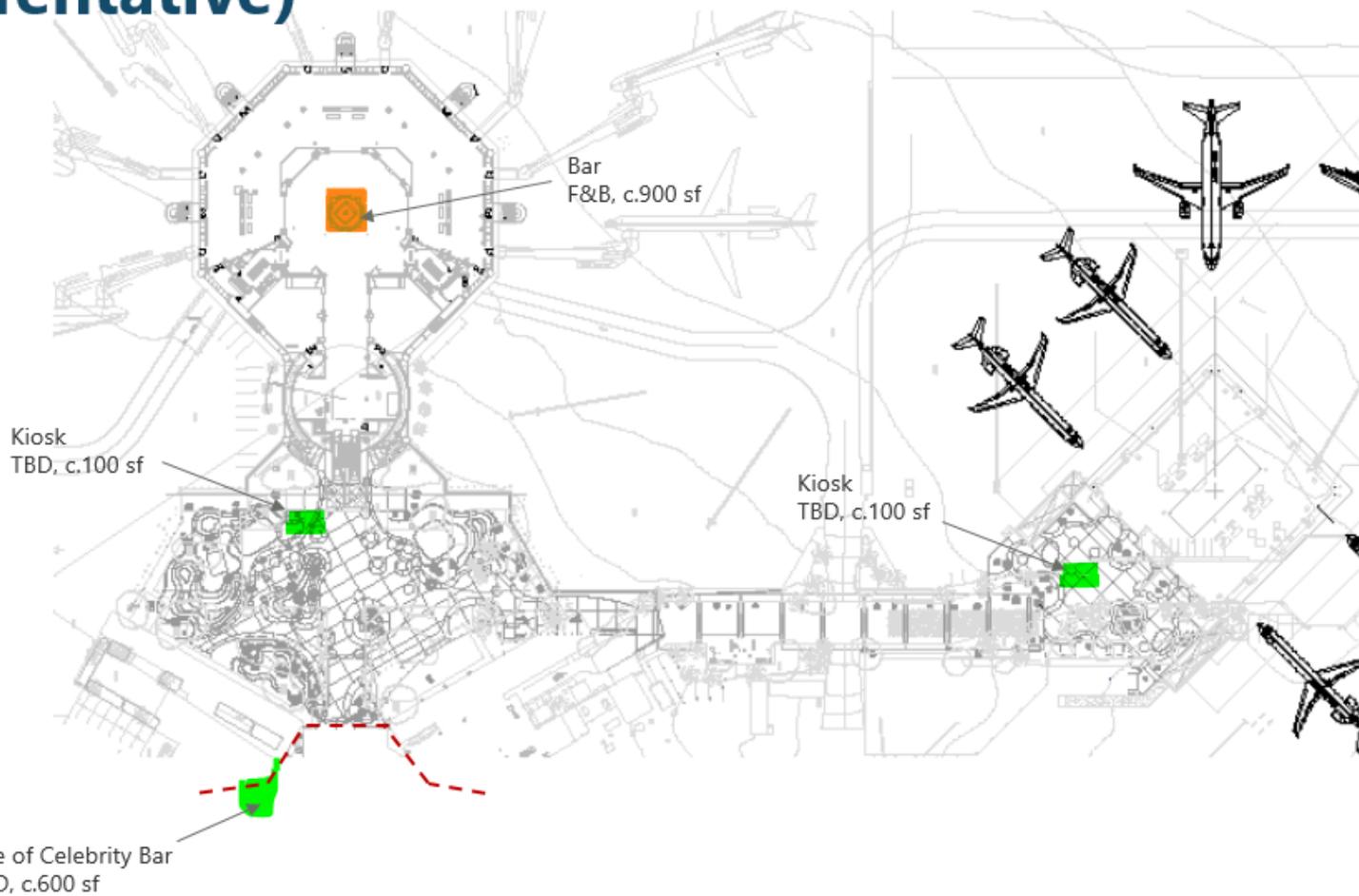
- Space constraints
  - Are you prepared to operate in a small space, possibly with an odd configuration?
  - Logistics of goods in & waste out
- How wedded are you to your brand's "soul"?
  - Would you adjust the menu?
  - Would you add a Grab&Go element?
  - Would you evolve as trends change?
  - Would you speed up cooking times?
  - Would you change packaging? ...portability



# Existing Concession Locations



# New or Repurposed Concession Locations (Tentative)





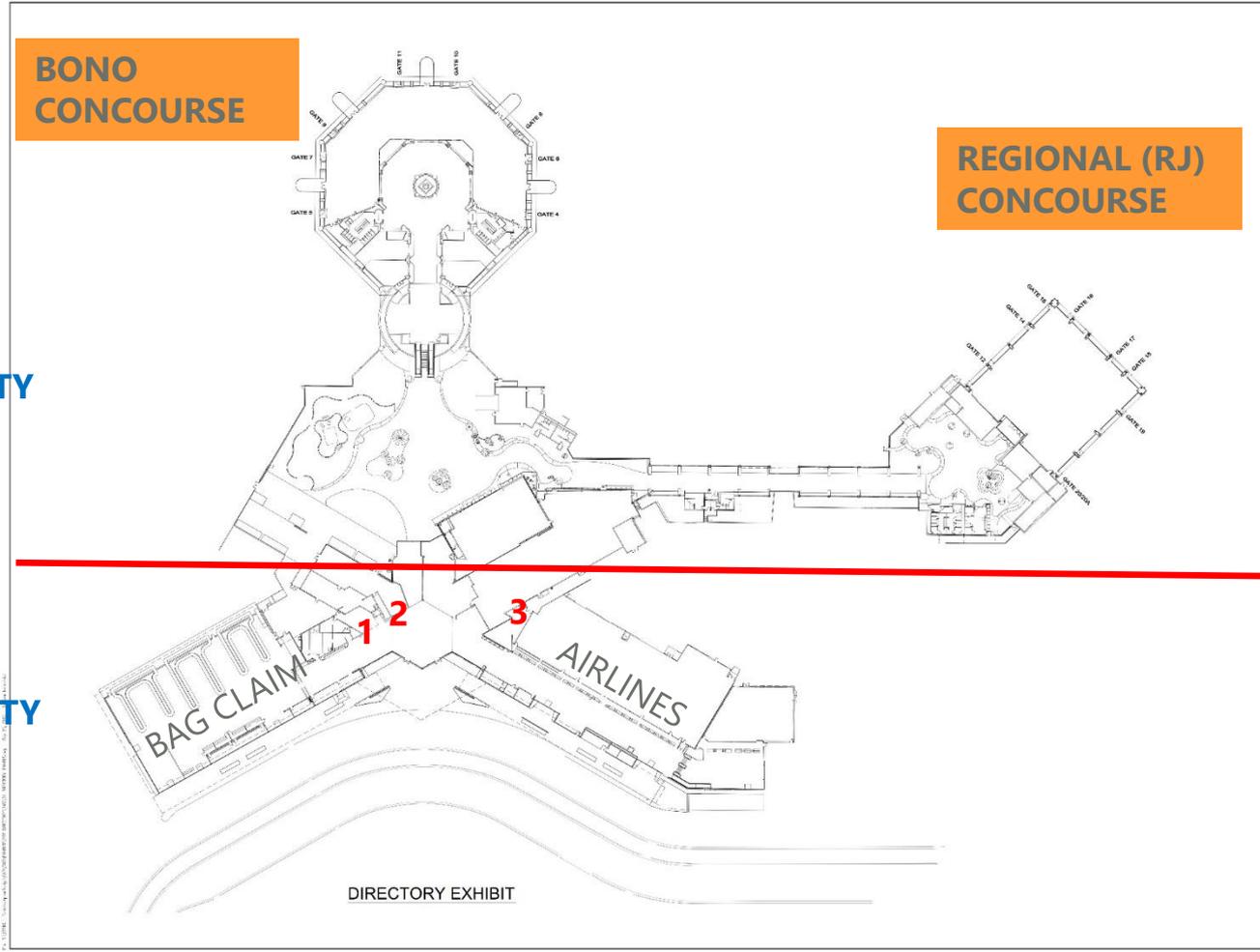
PRE-SECURITY LOCATIONS

**BONO  
CONCOURSE**

**REGIONAL (RJ)  
CONCOURSE**

**POST-  
SECURITY**

**PRE-  
SECURITY**

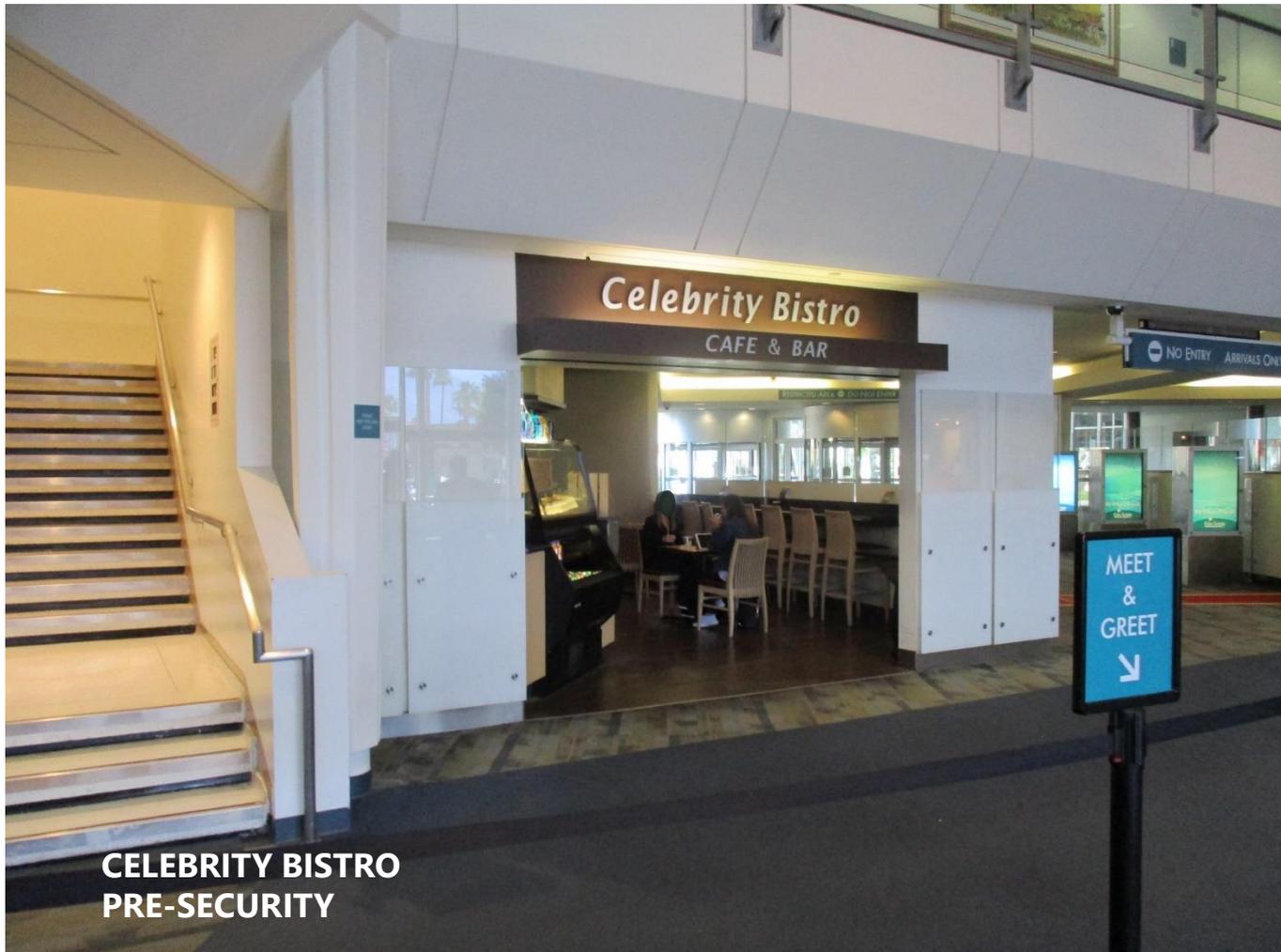


**LOC 1**



**STARBUCKS COFFEE  
PRE-SECURITY**

**LOC 2**



**CELEBRITY BISTRO  
PRE-SECURITY**

**LOC 3**



**LAND NEWS  
PRE-SECURITY**



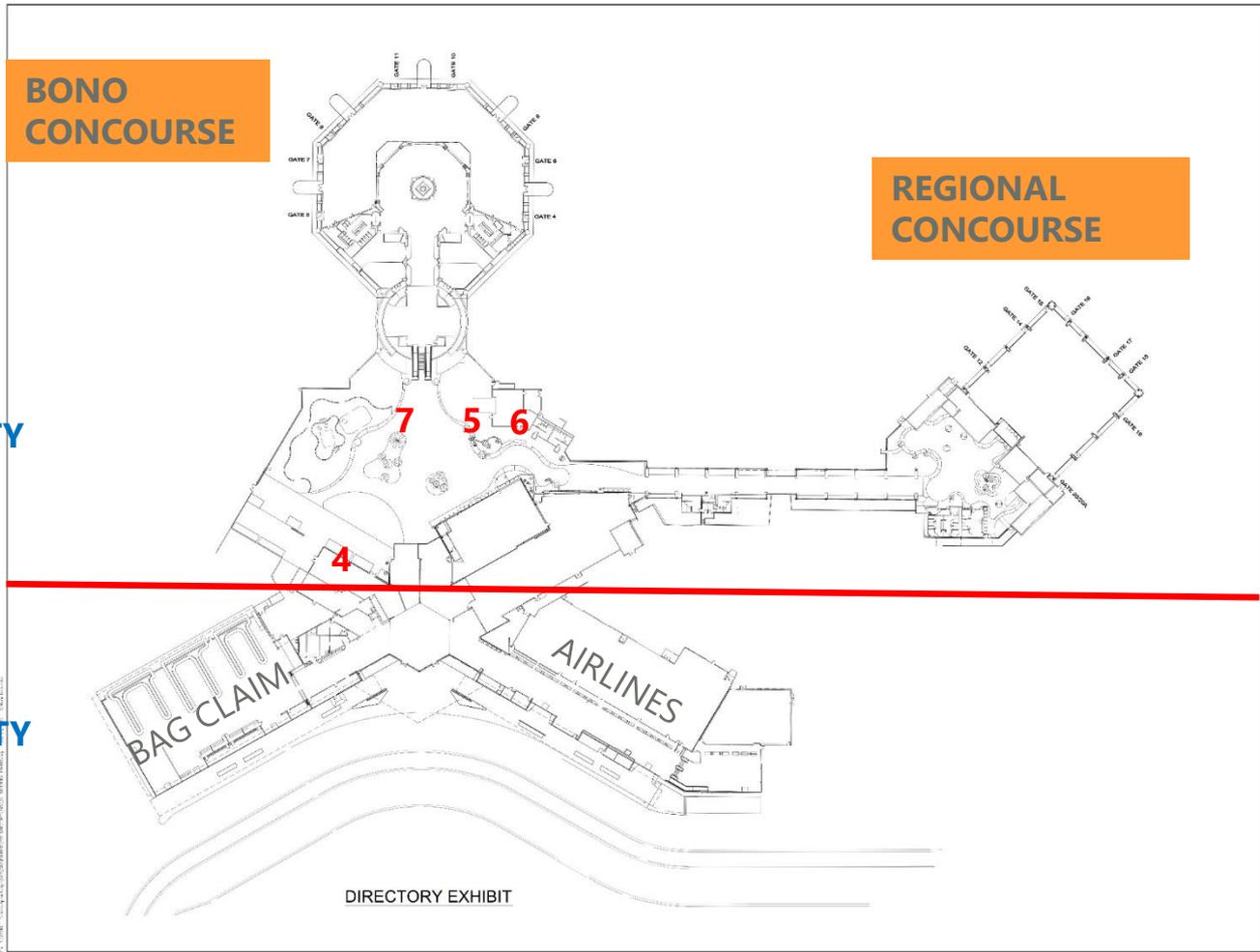
POST-SECURITY LOCATIONS

**BONO  
CONCOURSE**

**REGIONAL  
CONCOURSE**

**POST-  
SECURITY**

**PRE-  
SECURITY**



**LOC 4**



**CELEBRITY BISTRO  
BONO COURTYARD**

**LOC 4**



**CELEBRITY BISTRO  
BONO COURTYARD**

**LOC 4**



**CELEBRITY BISTRO  
BONO COURTYARD**

**LOC 5**



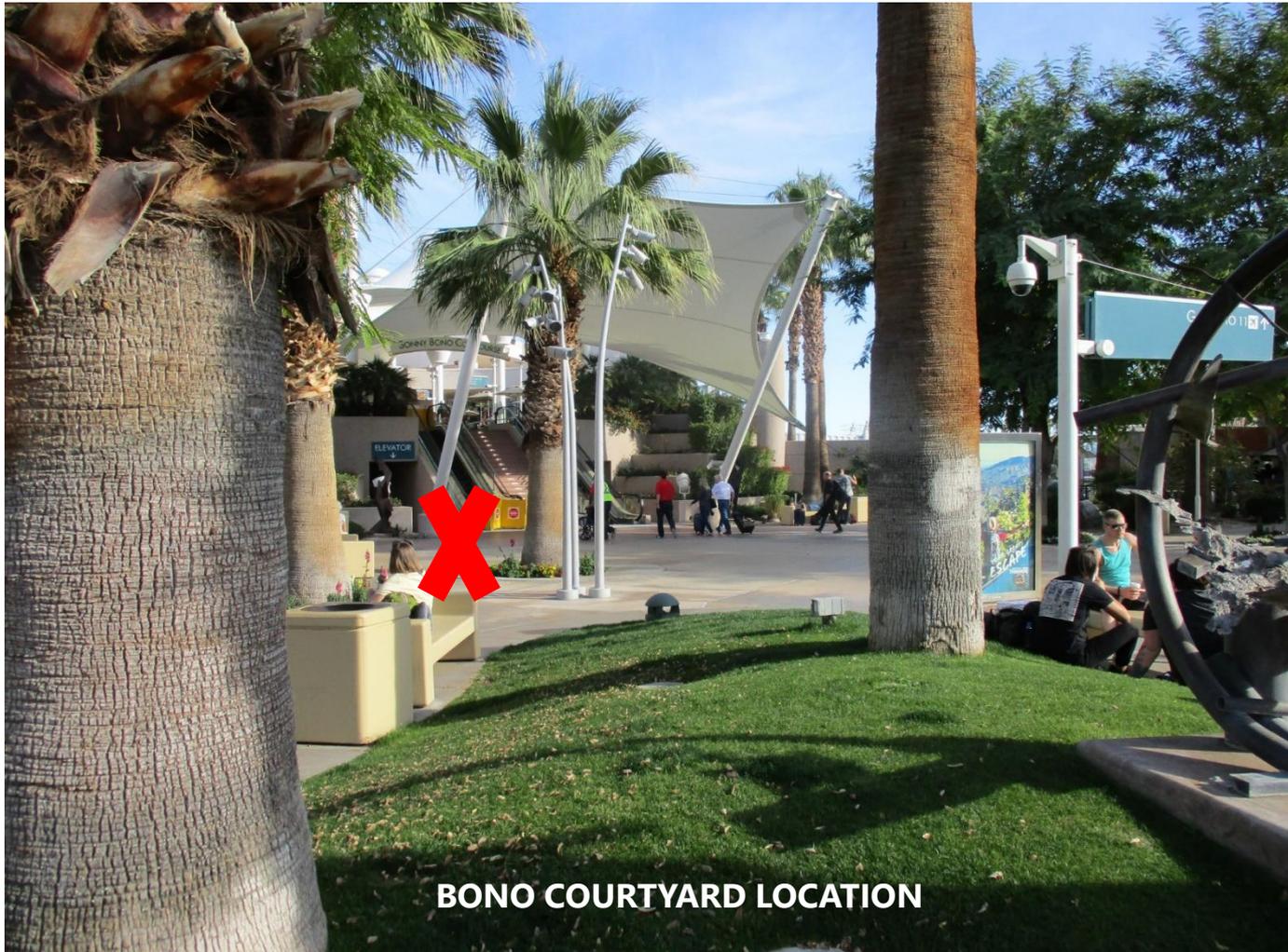
**CALIFORNIA VINTAGES  
BONO COURTYARD**

**LOC 6**



**STARBUCKS COFFEE  
BONO COURTYARD**

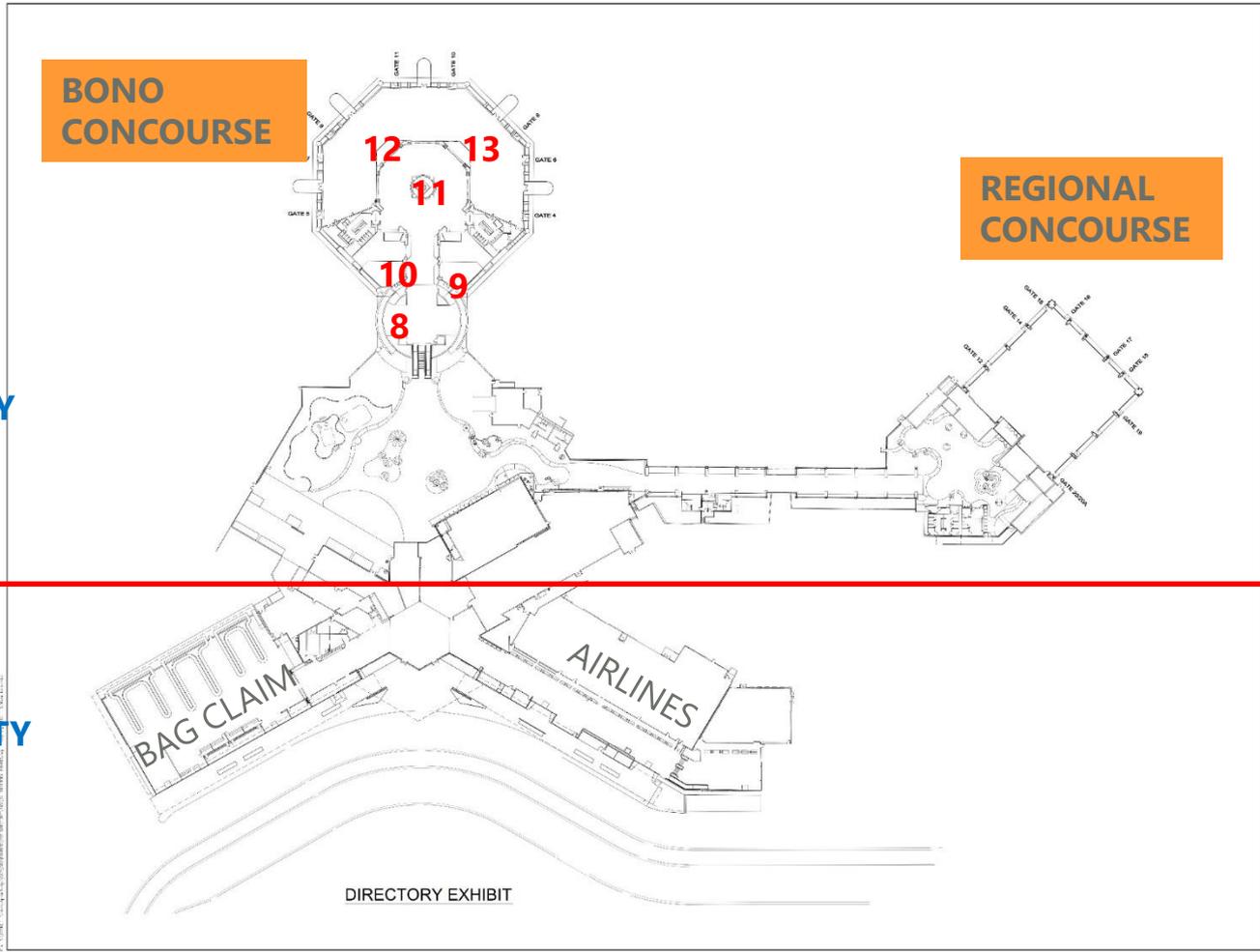
**LOC 7**



**BONO COURTYARD LOCATION**

**POST-  
SECURITY**

**PRE-  
SECURITY**





**BONO CONCOURSE**

# LOC 8



**FRESH ATTRACTIONS  
BONO CONCOURSE**

**LOC 9**



**12<sup>TH</sup> FAIRWAY BAR & GRILL  
BONO CONCOURSE**

**LOC 9**



12<sup>TH</sup> FAIRWAY BAR & GRILL  
BONO CONCOURSE



**LOC 9**



**12TH FAIRWAY BAR & GRILL  
PATIO  
BONO CONCOURSE**



**LOC 10**



**DESERT MARKETPLACE  
PGA TOUR SHOP  
BONO CONCOURSE**

**LOC 10**



DESERT MARKETPLACE  
PGA TOUR SHOP  
BONO CONCOURSE

# LOC 11



LOCATION REPLACING EXISTING FOUNTAIN AREA  
BONO CONCOURSE

**LOC 11**



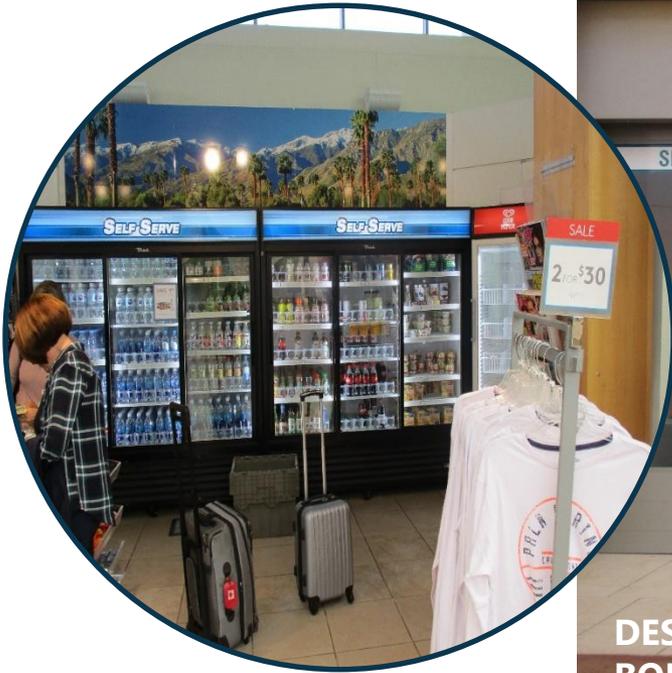
**LOCATION REPLACING EXISTING FOUNTAIN AREA  
BONO CONCOURSE**

**LOC 12**

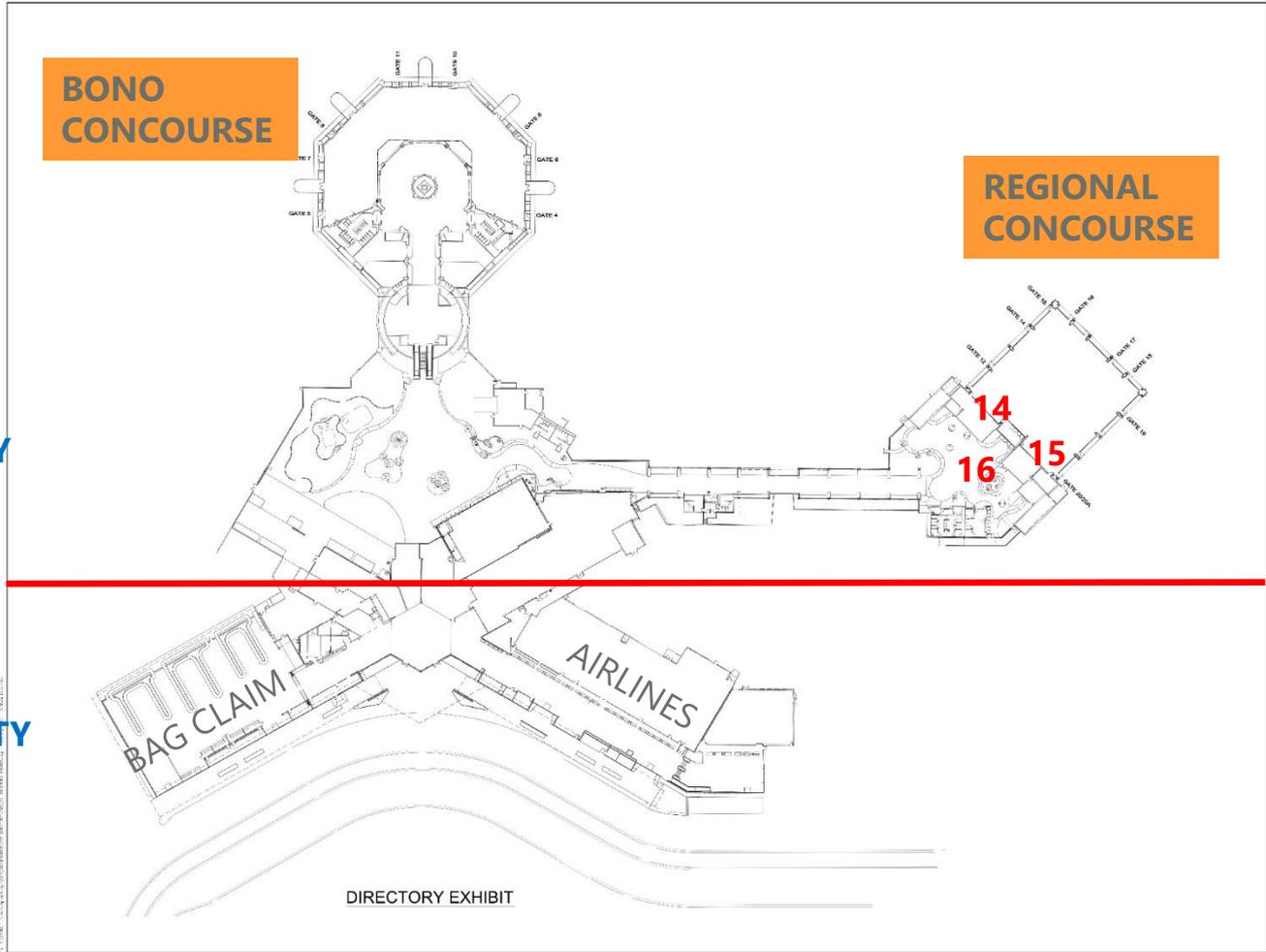


**DESERT NEWS  
BONO CONCOURSE**

# LOC 13



DESERT MART  
BONO CONCOURSE





# REGIONAL CONCOURSE

**LOC 14**



**CNBC NEWS  
REGIONAL CONCOURSE**

**LOC 15**



**TAP ROOM  
REGIONAL CONCOURSE**

**LOC 15**



**TAP ROOM PATIO  
REGIONAL CONCOURSE**

**LOC 15**



**TAP ROOM FROM INSIDE  
REGIONAL CONCOURSE**

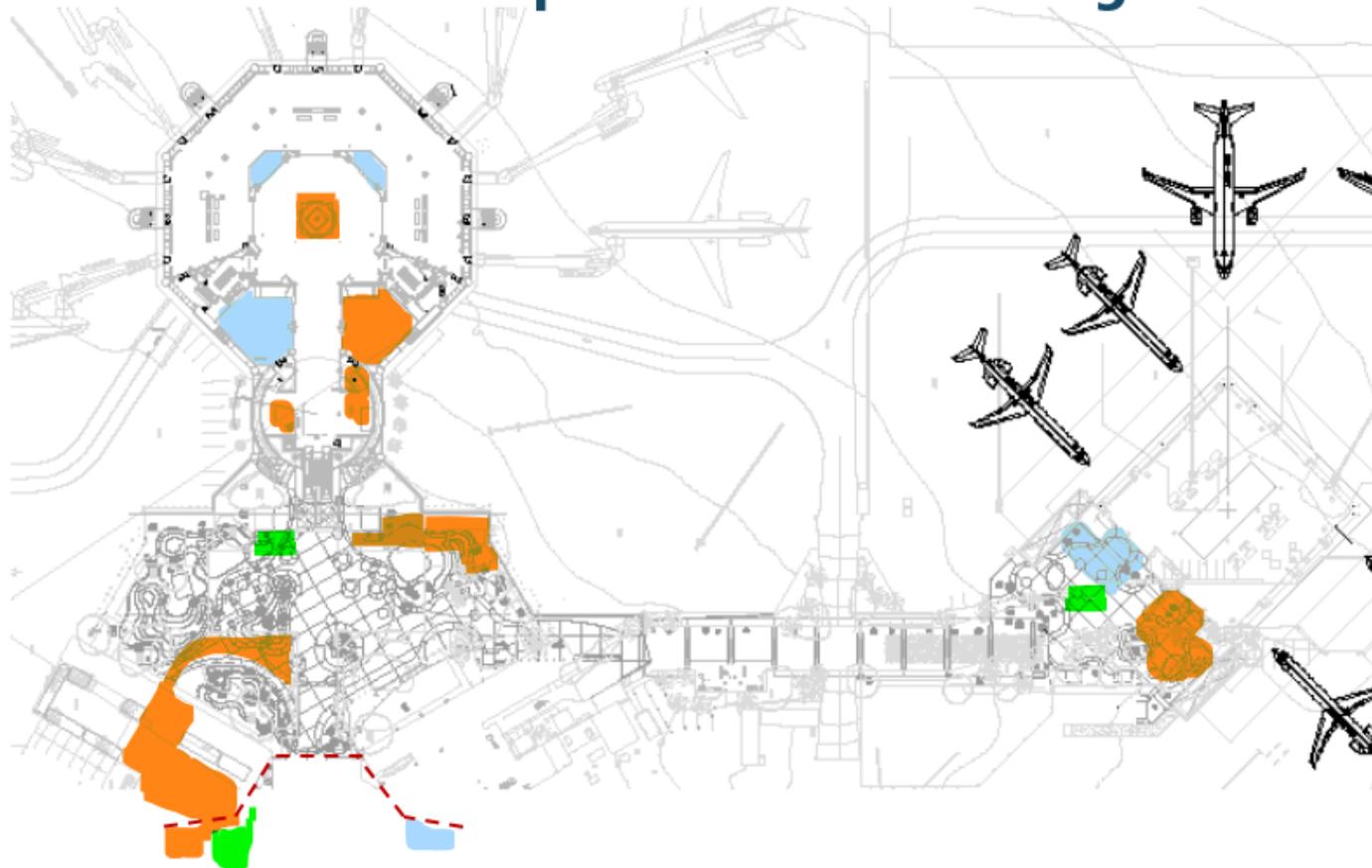
## LOC 16



REGIONAL TERMINAL COURTYARD LOCATION

# Upcoming Concession Opportunities

## The Locations Are Grouped into Three Packages



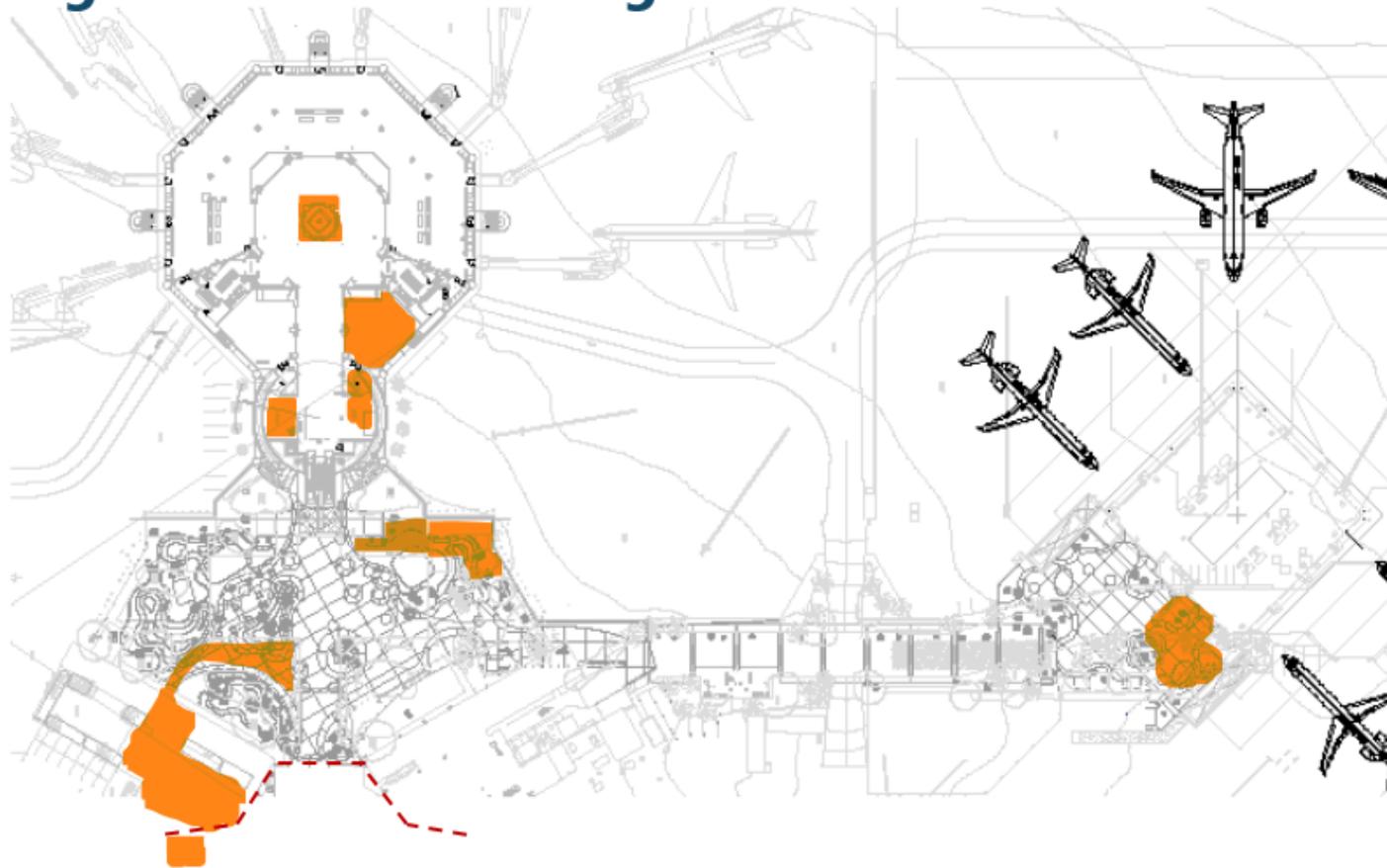
# Concession Locations

## Package 1: Retail (w/Duty Free and Vending)



# Concession Locations

## Package 2: Food & Beverage



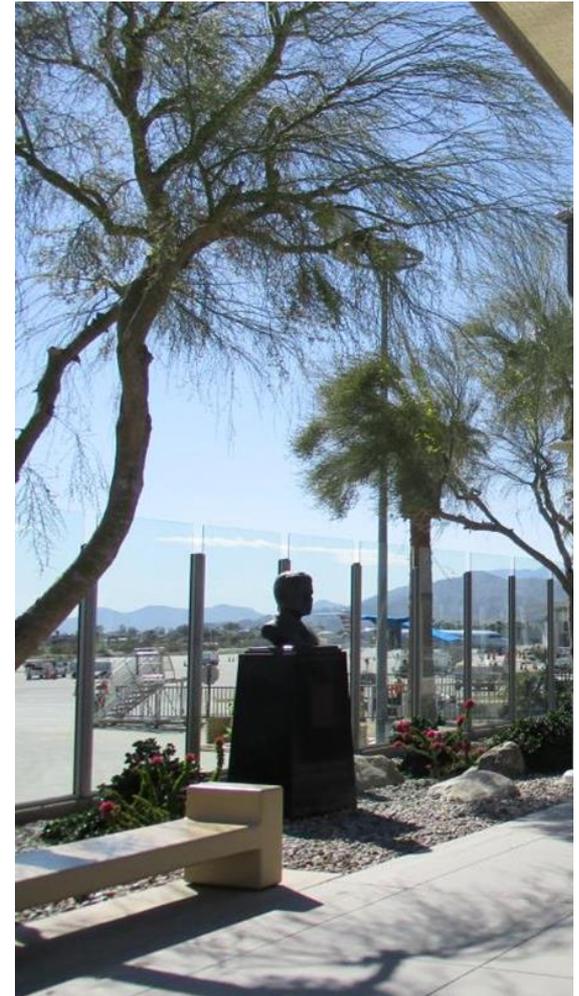
# Concession Locations

## Package 3: "Blank Slate"



# There Are Several Ways to Participate Risk Graduates with Involvement

- Self operation
  - Directly let by the City
  - As a subtenant of a prime operator
- Joint venture
- Licensing agreement



# Next Steps for Local Businesses

- Make sure you're on the sign-in sheet today!
- Meet national operators
- Anticipate RFP issuance
- Read the RFP in its entirety – *including exhibits and attachments* – before the pre-proposal conference



# Thank you!



## Rawley Vaughan

Director

Ricondo & Assoc., Inc.

[rvaughan@ricondo.com](mailto:rvaughan@ricondo.com)

703.879.3314

## Mark Jucht

Airport Administration Mgr

City of Palm Springs

[Mark.Jucht@palmsspringsca.gov](mailto:Mark.Jucht@palmsspringsca.gov)

760.318.3808

## Craig Gladders

Procurement and Contracting Mgr

City of Palm Springs

[Craig.Gladders@palmsspringsca.gov](mailto:Craig.Gladders@palmsspringsca.gov)

760.322.8368