



Concession Opportunities



July 2014

HAS has followed a structured approach to concession planning

- Concessions consultant AirProjects, Inc. has assisted HAS to bring industry best practices to Houston
 - Analysis of existing concession program to establish a performance baseline
 - Analysis of successful concepts in the Houston market and other airports to develop concept recommendations
 - Understanding and modeling of consumer demand, by location, using passenger projections and traffic flows
 - Forecast of gross sales and profit margins by location and concept to develop optimally sized packages
 - Development of desired concession business terms

Expiring contracts create new concession opportunities

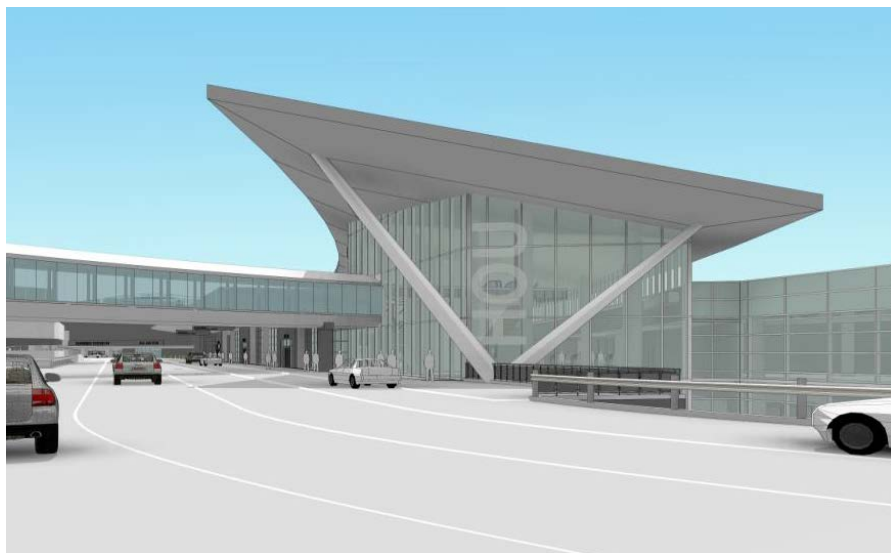
Expire Within 1 Year

	Category	Contract	Expiration
IAH	Food & Beverage	Delaware North Companies	June 2015
IAH	Retail	Paradies	June 2015
		WDFG (previously HMS Host)	June 2015
		3 Direct Agreements	Month-to-month
IAH	Duty Free	Nuance	October 2014 (will go Month-to-month)
HOU	Retail	Hudson Group	May 2015

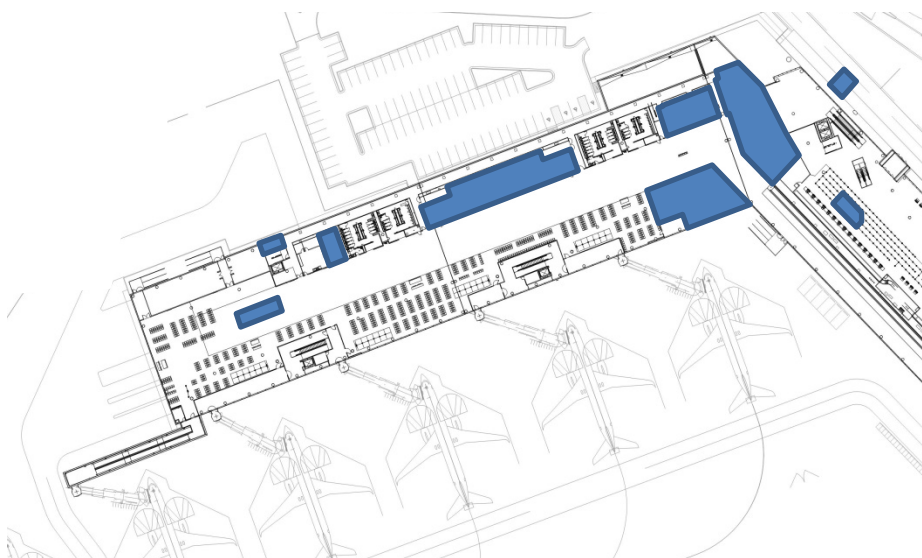
Expire Later

	Category	Contract	Expiration
IAH	Food & Beverage	JDDA/SSP	December 2018
HOU	Food & Beverage	4Families	May 2020

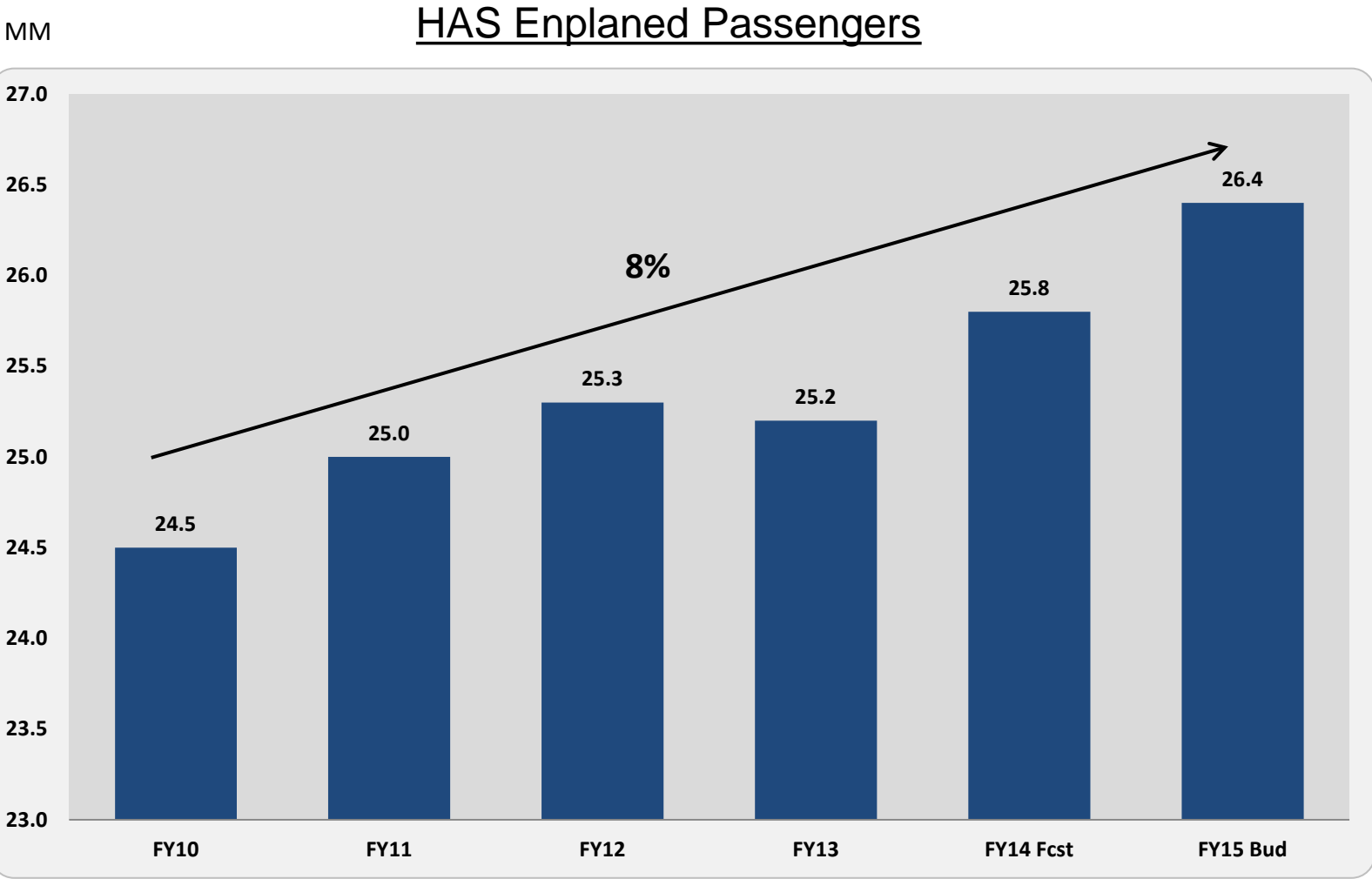
Additionally, new HOU international concourse creates opportunities



- 14,000 sf of new concession space
- Adds Duty Free category
- RFPs will include Retail and Duty Free opportunities
- Food and Beverage covered by existing agreement with 4 Families



Passenger growth presents an attractive market to Concessionaires



Concessions are an important component of HAS's strategy

Serve the Customer

- New concepts, fulfilling customer needs
- Variety and regional brands, creating a sense of place

Opening Day Fresh

- Aesthetically pleasing designs
- Renovated facilities

Fund the Future

- Growing concession revenues

RFP packages have been developed based on key principles

Focus on Customer Service

- New, fresh concepts and strong management are emphasized
- Concept specification has a mixture of regional and national brands
- Proposed concepts will need to provide value to customers

Increase Concept Variety

- Addition of new locations, sub-division of existing locations, and use of retail kiosks allows for more variety

Enhance Competition

- Locations spread into a greater number of packages to increase the opportunity for participation by concessionaires
- Packages structured with a mixture of locations across the airport, so that concessionaires compete for business

Create “Win-Win” Business Terms

- Packages sized large enough to provide attractive return on investment for concessionaires, market rent for HAS, and subcontracting opportunities

Concessions strategy results in 4 additional concession opportunities

	Airport	Category	Existing Contracts	RFP Packages
2014 RFPs	IAH	Retail/Duty Free	3 + Direct Agreements	3
		Specialty Coffee	0	2
		Food & Beverage	1	2
	HOU	Retail/Duty Free	1	2
	IAH + HOU	All Categories	5	9

+ 4 Opportunities

The redevelopment of Terminal D will impact RFP packages

Terminal C North

- Terminal C North will be demolished in approximately 2 years
- Concession locations will be temporary with no minimum investment required

Terminal D

- The west side of Terminal D will be demolished approximately 4 years from now and the east side will follow 6 years from now
- The RFPs will require concessionaires to make a full investment in these locations with provisions for HAS to buy out the value of any unamortized improvements

Future Mickey Leland International Terminal (MLIT)

- Concession planning will be done as part of the terminal design work for the new MLIT
- Concession locations in the MLIT will be offered in future RFPs (around 2018)

By 2020, the number of concession opportunities will be roughly doubled

	Airport	Category	Existing Contracts	RFP Packages
2014 RFPs	IAH	Retail/Duty Free	3 + Direct Agreements	3
		Specialty Coffee	0	2
		Food & Beverage	1	2
	HOU	Retail/Duty Free	1	2
	IAH + HOU	All Categories	5	9
Future RFPs	IAH + HOU	Food & Beverage	2	2 to 3
	MLIT	All Categories	-	3 to 4
	IAH + HOU	All Categories	7	14 to 16

RFP packages are balanced and optimally sized

Bush Intercontinental

Category	Package #	# Locations *	Total sf *	Projected Sales
Food & Beverage	1	15	21,300	\$29 MM
	2	14	19,200	\$27 MM
Retail/Duty Free	1	18	16,100	\$21 MM
	2	17	14,800	\$21 MM
	3 (incl. DF)	8	7,400	\$21 MM
Specialty Coffee	1	6	5,700	\$8 MM
	2	3	1,900	\$3 MM

Hobby

Category	Package #	# Locations *	Total sf *	Projected Sales
Retail/Duty Free	1 (incl. DF)	7	6,950	\$14 MM
	2	14	7,100	\$14 MM

* Locations and square footage of Automated Retail Units not included

RFP Process

RFPs incorporate key requirements

Minimum Qualifications

- RFPs require experience within category at similarly sized airports, major transportation centers or shopping malls

Award Limitations

- No proposer will be selected for award of more than one package per category per Airport

Protections for Subcontractors

- Proposers may not require subcontractors to be exclusive to their proposal
- Proposers may not charge subcontractors higher rent than they pay HAS

Other Requirements

- RFPs establish minimum investment, percentage rent and a marketing fee
- Use of a future centralized receiving/shipping facility is mandated to enhance security and reduce road congestion
 - HAS will pay for the cost of the facility from concession rent

OBO has established ACDBE goals of 25% to 38%

Airport	Category	Package #	Goal
IAH	Retail/Duty Free	1	30%
		2	30%
		3 (incl. DF)	25%
IAH	Specialty Coffee	1	30%
		2	30%
IAH	Food & Beverage	1	38%
		2	38%
HOU	Retail/Duty Free	1 (incl. DF)	30%
		2	32%
IAH + HOU	All Categories	9 Packages	25%-38%

Evaluation of proposals will emphasize customer service and concepts

Evaluation Criteria

- Customer Service/Management and Operation Plans
- Concept Development
- Design, Material and Sustainability
- Background and Experience
- Compensation to HAS
- Transition Plan

Pass/Fail

- Financial Capability of Proposer
- ACDBE Participation

Timeline for RFP process calls for award of contracts by the end of 2014

Runway to Business	May 8
Concessions Industry Day	June 19
Budget & Fiscal Affairs Presentation	July 8
Draft RFP and Sample Contract Published	July 10
Industry Outreach Day	July 17
Deadline for Feedback	July 22
RFPs Advertised	August 8
Pre-Proposal Conference	August 26
Proposals Due	October 1
Target Council Date	November- December 2014

Thank You



IAH Retail/Duty Free will be offered in 3 Packages

	Packages		
	1	2	3
News/Convenience	7	7	-
Specialty Retail	11	10	3
Duty Free	-	-	5
Automated Retail	-	6	-
Total Store Locations *	18	17	8
Square Footage *	16,100	14,800	7,400
Projected Annual Sales (2020)	\$21 MM	\$21 MM	\$21 MM

* Automated Retail Units not included



IAH Food and Beverage will be offered in 2 Packages

	Packages	
	1	2
Quick Service (QSRs)	8	8
Casual Dining	4	2
Bar with Food	2	3
Frozen Treat/Snack	1	1
Total Store Locations	15	14
Square Footage	21,300	19,200
Projected Annual Sales (2020)	\$29 MM	\$27 MM

IAH Specialty Coffee will be offered in 2 Packages

	Packages	
	1	2
Specialty Coffee	6	3
Square Footage	5,700	1,900
Projected Annual Sales (2020)	\$8 MM	\$3 MM

HOU Retail/Duty Free will be offered in 2 Packages

	Packages	
	1	2
News/Convenience	4	4
Specialty Retail	2	4
Duty Free	1	-
Automated Retail Units	3	-
Retail Merchandising Units	-	6
Total Store Locations *	7	14
Square Footage *	6,950	7,100
Projected Annual Sales (2020)	\$14 MM	\$14 MM

* Automated Retail Units not included

