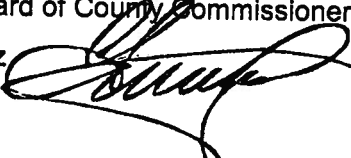


Memorandum



Date: October 30, 2017

To: Honorable Chairman Esteban L. Bovo, Jr.
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Report on Miami-Dade Aviation Department (MDAD), Concession Review

In January 2017, I directed Tara Smith, Director of Internal Services Department (ISD), who was represented by Miriam Singer, Chief Procurement Officer and Sr. Assistant Director, Internal Services Department, and Leland Salomon, Deputy Director, Economic Development for Regulatory and Economic Resources (RER), to perform a comprehensive review of Miami International Airport (MIA) concessions and procurement. The following is a summary of their findings and my recommendations.

The concessionaires at MIA number approximately 40, occupying approximately 240 "stores" throughout all three Terminals – the North, Central and South (both pre and post security). They represent all four major categories of concessions – retail, food and beverage, duty free, and news, gifts and sundries.

On April 24, 2017, I received a letter from NewsLink requesting minimum annual guarantee (MAG) relief for themselves as well as other concessionaires at MIA. The letter claimed a major drop in sales resulting from several events at MIA. The first drop in sales was attributed to American Airlines "banking" their flights (grouping their flight arrivals and departures so that there is less time between flights), resulting in a significant reduction in the time a passenger was able to spend shopping at MIA concessions. The second drop in sales was attributed to the train derailment in 2014, which effectively shut down E Satellite for 54 months. Finally, Newlink claimed that MIA authorized additional stores in areas that were not originally identified as leasable space, thus adding competition to the existing stores at the airport.

Staff concluded that while sales have fluctuated month to month at MIA, concessionaires were not suffering reduced sales from anything more than normal business cycle swings and possible changes to passenger buying habits. Sales numbers provided by MDAD indicate a reduction in sales by various tenants in different Terminals during different periods. Nothing pointed to an overall reduction to all concession sales due to any specific event. It also should be noted that the MDAD Concession Agreement is a document that thoroughly explains the terms and conditions, and responsibilities of being a concessionaire at MIA. There is no mention of protecting the sales and/or profitability of the stores in the Agreement. I am, therefore, recommending that no change be made to the concessionaires' MAG based on this request.

Regarding the issue of American Airlines "banking" their flights, when staff consulted American Airlines, their own analysis indicated that the average reduction in connection time due to "banking" was approximately 7 percent. The airlines cannot be held responsible for doing all they can to increase their number of flights and passengers, which is the primary business of the airport, and does not merit a corresponding reduction to concessionaires' MAG. I am, therefore, recommending that no change be made to the concessionaires' MAG based on this request.

The train derailment in E Satellite resulted in the closure of this part of Terminal E. Rent payments were suspended and no concessionaire was required to make any payments for unamortized investment.

The concessionaires did, however, raise a valid point in regard to MIA adding concessionaires in placement areas not previously identified as future concession areas, thereby increasing competition to existing stores. While MDAD is not permitted anywhere in the concession agreements from adding stores, I am recommending that this practice cease and that all future concessions be awarded through an open and competitive procurement process.

In response to the September 18, 2017 letter addressed to MDAD Director, Emilio Gonzalez, requesting MAG relief for a one-year period attributable to the closure and resultant loss of sales due to Hurricane Irma, I asked staff to report to me exactly how long MIA was shut down for this event and to identify the corresponding MAG for all concessionaires for this time period. MDAD reported that the airport was "closed" for a total of 5.5 days and the corresponding MAG would be \$1,145,477. All concessionaires have a Force Majeure clause in their Concession Agreement that provides for relief if the airport were to suffer an "extreme weather event". I am, therefore, recommending that all concessionaires be granted MAG relief for this 5.5-day period.

In addition to evaluating these claims, and in order to better understand the current situation and have a better appreciation of the concessionaires' concerns, staff held a series of meetings with all current MIA concession tenants. Meetings were also hosted with companies, both large and small, that are interested in participating in upcoming procurements for the MIA Concessions program. The objective of the meetings was to hear how these firms viewed their possible participation in a new competitive solicitation for concessions, what they thought worked best in other jurisdictions where they have successfully participated in concessions procurements, and to learn recommendations for an improved procurement process resulting in a comprehensive, updated concessions program.

Attached are two memoranda from me to Director Gonzalez. The first memorandum directs specific actions be taken, which I believe will enhance the process for procuring concessionaires at MIA and for running the business side of MIA. In short, I have realigned the concession area of MIA and the overall supervision of the business (non-aviation) areas of MIA to report to me through a Special Assistant for MDAD Landside Business Operations, and I am assigning the procurement staff presently at MIA to be relocated downtown so that they can be directly supervised as part of the overall procurement function of the County by the ISD Procurement Division. MDAD's procurement organization has been operating independently at MIA for many years and I believe that these changes will result in a more streamlined, open and competitive process, with decision making reestablished in my office and with appropriate Board approval.

The second memorandum specifically outlines the MAG relief requested as a result of the airport closure during Hurricane Irma.

Finally, action on all pending, concession transactions was suspended when I commenced this review. Attached is the third memorandum from my staff to me listing those pending transactions and recommendations for each item moving forward, which I support.

I am aware that members of the Economic Development and Tourism Committee will be holding a special meeting tomorrow morning to discuss contracts and concessions at Miami International Airport and I am open to any suggestions that the full Board may have related to this topic.

Attachments


c: Abigail Price-Williams, County Attorney
Geri Bonzon-Keenan, First Assistant County Attorney
Office of the Mayor Senior Staff
Jack Osterholt, Deputy Mayor and Director, Regulatory and Economic Resources
Tara Smith, Director, Internal Services Department
Miriam Singer, Chief Procurement Officer and Sr. Assistant Director, Internal Services
Department
Leland Salomon, Deputy Director, Economic Development for Regulatory and Economic
Resources
Emilio Gonzalez, Director, Miami-Dade Aviation Department
Namita Uppal, Chief, Procurement Officer Designee, Internal Services Department
Christopher Agrippa, Clerk of the Board

Memorandum



Date: October 30, 2017

To: Emilio Gonzalez, Director
Miami-Dade Aviation Department

From: Carlos A. Gimenez 
Mayor

Subject: Implementation of Organizational Changes and Management Oversight for All Miami-Dade Aviation Department Concessions, Real Estate and Procurement Functions

Earlier this year, I asked a team of County professionals to review Miami-Dade Aviation Department's (MDAD's) procurement and concessions operations. Following a thorough and detailed review and a significant number of interviews with current vendors and other businesses who wish to participate in MDAD business opportunities, I have decided to make certain strategic changes in the operation of the landside business operations structure and management oversight.

In addition to the written approval of the Deputy Mayor responsible for MDAD and the Mayor, all procurement-related agenda items relating to Miami-Dade Aviation Department shall require the recommendation of the Chief Procurement Officer for the Internal Services Department (ISD) and the Mayor's Special Assistant for MDAD Landside Business Operations before being presented to the Board of County Commissioners (BCC) for final approval. There will be no exceptions.

Organizational Changes

Effective immediately, I am appointing Mr. Leland Salomon, Deputy Director of Regulatory and Economic Resources (RER) for Economic Development, as my Special Assistant for Miami-Dade Aviation Department Landside Business Operations. As my Special Assistant, Leland will provide management oversight and approval oversight for all action items involving MDAD's Airport Concession Business Development, Real Estate Management and Development, and Hospitality and Transportation Services. In addition, MDAD will immediately reclassify an existing, vacant Airport Secretary position to an Assistant Aviation Director for Airport Concession Business Development, which will report directly to the Deputy Airport Director. The Airport Concession Business Development Division will no longer report to the Assistant Aviation Director for Business Retention and Development, but will report directly to this new position.

Leland will be responsible for the advance review of contractual matters and recommendations managed by the MDAD Business Retention and Development Division, prior to my approval. The Assistant Aviation Director for Business Retention and Development, the Assistant Aviation Director for Airport Concession Business Development, and the Deputy Airport Director shall communicate and consult with Mr. Salomon on an ongoing basis regarding the business matters covered in this memorandum, and will promptly provide him with information requested. It is my expectation that you and your staff will work collaboratively with Leland to ensure he is advised of, and consulted, on all matters in these areas of responsibility.

In November 2017, MDAD's Contract Administration Division staff will be transferred to the Internal Services Department's (ISD) Procurement Management Services (PM) Division, located at the Stephen P. Clark Center. The MDAD staff will report to the County's Chief Procurement Officer, consistent with the centralization of procurement functions for our other County departments. The transferred staff will be dedicated to work only on MDAD procurements and procurement-related

Implementation of Organizational Changes and Management Oversight
for All MDAD Concessions, Real Estate and Procurement Functions
Page 2

activities. It is my expectation that you and your staff will work directly with ISD Director Tara C. Smith and Chief Procurement Officer Designee Namita Uppal to ensure a swift and smooth transition.

Direction Regarding Re-procurement of All Concession Procurements:

Successor solicitations will be issued by ISD's Procurement Management Services Division to replace all concession agreements, or other "permits" to operate MDAD concessions that have expired and are currently operating on a month-to-month basis, as provided for in current concession agreements, as well as those that will expire in the near future, whether for one or multiple locations/concessions. All MDAD concession contracts and real estate agreements will be established following full and open competitive processes by ISD, and awarded by the Board of County Commissioners.

Miami-Dade County shall enter into agreements with concessionaires that have relevant experience, strong financial resources, and a broad and marketable array of high-quality offerings for our passengers. MDAD staff will work closely with the County's Procurement Management team and Leland to ensure that the forthcoming solicitations for concessions will include robust Airport Concession Disadvantaged Business Enterprise (ACDBE) requirements, with an emphasis on a local sense of place, that are consistent with Federal Aviation Agency (FAA) requirements.

Within the next three months, the Procurement Management Services Division of ISD shall issue a Request for Qualifications (RFQ) for Developers or Commercial Manager Concessionaire(s), to be immediately followed by a Request for Proposals (RFP) to those developers who are qualified for Terminals E (and E Satellite), F and G (Central Terminal) and H and J (South Terminal) at MIA. This RFP will include specific requirements that priority be given for completion of Terminals E and E Satellite. My recommendation to award a contract resulting from this open and competitive solicitation for a Developer or Commercial Manager Concessionaire will be forwarded to the Board of County Commissioners for approval within the next 12 months. A second solicitation will be issued from those qualified through the RFQ process for Terminal D (North Terminal) to allow sufficient time for transition once the Terminal D concessions expire in 2024. I anticipate the solicitation process for Terminals H and J will follow a similar timeframe.

A separate simplified solicitation shall be issued every 12 months to result in agreements for a two-year term for "pop-up" business ventures in Terminals D, E, F, G, H and J. Following the two-year terms, pop-up concessionaires may compete for long-term agreements as concessionaires by competing through established procurement processes. Thereafter, re-procurement actions for all successor solicitations for MDAD contracts shall commence 18 months prior to current contract expiration dates to allow sufficient time for timely presentation of award recommendations to the Board, and seamless transition from one contract to the next.

Until such time as the RFQs and the RFPs for Terminals E, F, G, H and J are successfully completed and awarded, the Airport Director, upon the recommendation of the Mayor's Special Assistant for MDAD Landside Business Operations may renew a concession agreement or other permit to operate at MIA for a period no longer than 18 months, provided that the concession agreement or other operating permit will end when a new concessionaire is selected through a full and open competitive procurement process as approved by the Board.

All concession agreements will be procured consistent with FAA requirements, the Code of Miami-Dade County, applicable Implementing Orders and Resolutions approved by the Board of County Commissioners. Mr. Salomon will conduct an ongoing, thorough review of all contractual documents,

and recommend revisions regarding their terms and conditions, including what remaining contract approval and modification authority, if any, should remain with the MDAD Director.

Lastly, you have received letters regarding requests for minimal annual guarantee (MAG) relief based on purported lower sales by some of the Airport's concessionaires. Staff has reviewed information provided by concessionaires and airline representatives, as well as MDAD's contractual commitments in its Concession Agreements. Staff has been unable to substantiate the basis for concessionaires' claims for MAG relief. Additionally, MDAD Concession Agreements do not require the County to provide relief to from MAG payments based on the material presented. As a result, I am denying this request for MAG relief. I am, however, recommending that all concessionaires be granted MAG relief for the 5.5-day period that the airport was "closed" during Hurricane Irma. A separate memo on this topic is attached.

Attachments

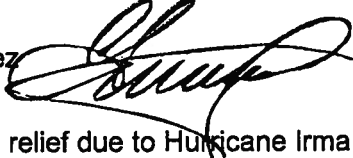
- c: Jack Osterholt, Deputy Mayor and Director, Regulatory and Economic Resources
- Edward Marquez, Deputy Mayor and Chief Financial Officer
- Tara C. Smith, Director, Internal Services Department
- Leland Salomon, Special Assistant to the Mayor for MDAD Landside Business Operations/Deputy Director, Regulatory and Economic Resources
- Miriam Singer, Chief Procurement Officer and Sr. Assistant Director, Internal Services Department
- Ken Pyatt, Deputy Director, Miami-Dade Aviation Department
- Namita Uppal, Chief Procurement Officer Designee, Internal Services Department

Memorandum



Date: October 30, 2017

To: Emilio Gonzalez, Director
Miami-Dade Aviation Department

From: Carlos A. Gimenez
Mayor 

Subject: Request for MAG relief due to Hurricane Irma

I have reviewed the letter you received dated September 18, 2017 and signed by several concessionaires, requesting minimum annual guarantee (MAG) relief for a one-year period as a result of "a reduction in sales caused by Hurricane Irma" (Exhibit A). The letter states that "in our educated opinion it is going to take at least a year before our businesses will fully recover from this natural disaster." While asking for relief of MAG payments for the next year, the concessionaires did offer to pay the stated percentage rent indicated in each Concession Agreement.

We were all affected by Hurricane Irma as has been amply documented. I asked Miami-Dade Aviation Department (MDAD) staff for, and have received, a report indicating how many days Miami International Airport was closed during the storm, and the amount of MAG that would have been paid for that period of time. MDAD staff reported that during the period of September 7, 2017 through September 16, 2017 operations, as measured by passenger activity metrics, were affected by a decrease in passengers between 18 percent and 100 percent on daily basis.

Full operations resumed on September 17, 2017. The airport used the difference between ramp up and ramp down of passengers between last year and this year to determine the percentage of operational impact. Overall, the impact equates to 5.5 days of closure (Exhibit B).

Additionally, I consulted with the County Attorney's Office (CAO) to determine if the closure was covered by the Force Majeure clause in the concession agreements. The CAO determined that "extreme weather conditions" are covered by the Force Majeure provision, thus relieving both the County and the concessionaire "from the timely performance of their obligations or undertakings provided in this Agreement."

Lastly, MDAD staff determined that the MAG that would have been due by all concessionaires during the 5.5 days of closure is \$1,145,477 (Exhibit C). I am, therefore, instructing you to inform the concessionaires that the County is granting each concessionaire the appropriate credit against its MAG payment due for the 5.5 days of closure. We encourage each concessionaire to share this relief with their "sub lessees."

Exhibits

- c: Jack Osterholt, Deputy Mayor and Director, Regulatory and Economic Resources
Edward Marquez, Deputy Mayor and Chief Financial Officer
Tara C. Smith, Director, Internal Services Department
Miriam Singer, Chief Procurement Officer and Sr. Assistant Director, Internal Services Department
Leland Salomon, Special Assistant to the Mayor for MDAD Landside Business Operations and
Deputy Director, Regulatory and Economic Resources
Ken Pyatt, Deputy Director, Miami-Dade Aviation Department

EXHIBIT A

Miami International Airport Concessionaires

September 18, 2017

Emilio T. González
Director and CEO
Miami Dade Aviation Department
Miami International Airport
PO BOX 025504
Miami, FL 33102-5504

Re: MIA Concessions and Hurricane Irma

Dear Director González:

The undersigned Miami International Airport tenants are writing to request, retroactive to September 1, 2017, a temporary suspension of the Minimum Annual Guarantee rent for all retail and food and beverage concessionaires at MIA due to the significant business disruption Hurricane Irma has brought and will continue to bring to MIA. We are formally requesting that this relief be granted for a one-year period, or such time as traffic returns to normal, by the Miami Dade County Commission on an emergency basis at its next scheduled commission meeting.

We are seeking your immediate assistance and support to work with us in mitigating the serious sales losses we are suffering and will continue to suffer for the foreseeable future. The reduction in sales caused by Irma will have a significant detrimental effect on passenger traffic and sales, and even when the passenger traffic returns to a normal rate, we will be playing catch up for some years.

The immediate sales decline for most operators has been catastrophic and the fact that we continue to pay a MAG rent on concession agreements is further compounding our situation. It is our educated opinion that it is going to take at least a year before our businesses will fully recover from this natural disaster. We believe that sales for the month of September may be off by as much as 30% alone (even higher in some businesses). If concessionaires are required to pay MAG most concessionaire will be paying rent of at least 25% of sales and some concessionaires will be paying as much as 40% of sales as rent.

Paying such astronomical rent is unsustainable for our businesses. This is beyond our control and many signatories of this letter do not have the financial capacity to continue paying these high rents and accumulating losses. It's even more critical when you consider the fact that several North terminal operators in 2015 and 2016, more than two years prior to Irma, were already suffering significant sales losses due to the newly created American Airlines "banking system".

These sales decreases are unprecedented and will in many cases result in real annual operating losses even with the requested temporary waiver of MAG. Again, this is not sustainable and will result in the loss of many jobs, reduction of pay and the failure of many operators at the Airport. The negative effect on local and ACDBE partners is even more damaging as many are having to borrow money to make their rent payments on their stores and restaurants.

Once again we respectfully request that you, the Mayor and County Commission immediately intercede and grant all MIA Concessionaires relief by suspending the MAG rent for all Concessionaires for one year or until normal MIA traffic conditions return and we have had time to recover our significant losses. In the meantime, rent will be calculated and paid as a "percentage of sales" as stated in each concessionaire's agreement with MDAD.

We collectively thank you for your immediate attention to this most pressing matter. We believe it is critical to the long-term viability of MIA's Concessions Program as well as for each individual concessionaire, including the many ACDBE and local partners.

Sincerely,

SIGNATURE ON ATTACHED COPY

Silvio A. Leal
Vice President
Siboney Wine & Spirits Merchants
MIA ACDBE Operator

SIGNATURE ON ATTACHED COPY

Robert Seigmann
President
Icebox Café, LLC

EXHIBIT B

**Miami-Dade Aviation Department
Number of Days for MAG Abatement**

| | Passenger Stats 2017 | Passenger Stats 2016 | Variance |
|---------------------------|-------------------------|-------------------------|--------------|
| Thursday 9/7/17 | 82,323 | 101,205 | -19% |
| Friday 9/8/17 | 39,902 | 106,796 | -63% |
| Saturday 9/9/17 | - | 108,550 | -100% |
| Sunday 9/10/17 | - | 110,953 | -100% |
| Monday 9/11/17 | 336 | 104,535 | -100% |
| Tuesday 9/12/17 | 40,811 | 86,845 | -53% |
| Wednesday 9/13/17 | 63,059 | 95,054 | -34% |
| Thursday 9/14/17 | 68,724 | 106,764 | -36% |
| Friday 9/15/17 | 80,343 | 107,731 | -25% |
| Saturday 9/16/17 | 90,078 | 110,456 | -18% |
| Days for Abatement | | | (5.5) |

Calculation for number of days for MAG Abatement
was based on ramp up and ramp down of passengers.
Airport closed 9/9/17 thru 9/11/17.

EXHIBIT C

Miami-Dade Aviation Department
Invoices and Hurricane Irma Abatement Calculation

| Agreement | Concessionaire | % of MAG | Total Monthly MAG | MAG Abatement 5.5 Days |
|-----------|--|----------|-------------------|---------------------------|
| 002849 | Duty Free Americas *** | 35.29% | 2,204,718.50 | \$ 404,198.39 |
| 005763 | Newslink of South Florida | 8.10% | 506,235.28 | \$ 92,809.80 |
| 001436 | Global Concessions, Inc. | 7.49% | 467,813.27 | \$ 85,765.77 |
| 005842 | Miami Airport Concession LLC | 6.40% | 399,568.92 | \$ 73,254.30 |
| 000197 | Host International Inc. | 4.82% | 300,974.32 | \$ 55,178.63 |
| 007769 | Safe Wrap of Florida JV, LLC | 4.67% | 291,666.67 | \$ 53,472.22 |
| 004984 | AMS-TEI Miami JV | 4.32% | 269,742.12 | \$ 49,452.72 |
| 005812 | Host International Inc. | 3.76% | 235,217.29 | \$ 43,123.17 |
| 003022 | Areas USA, Inc. | 3.67% | 229,264.67 | \$ 42,031.86 |
| 004192 | Lenlyn Limited dba ICE Currency Services USA | 3.58% | 223,484.42 | \$ 40,972.14 |
| 003023 | Concessions Miami, LLC. | 3.00% | 187,156.73 | \$ 34,312.07 |
| 007913 | WDFG | 2.56% | 159,640.02 | \$ 29,267.34 |
| 008528 | American Express Travel Related Services Company | 1.37% | 85,833.33 | \$ 15,756.11 |
| 003265 | Faber, Coe and Gregg, Inc. | 1.30% | 81,147.02 | \$ 14,876.95 |
| 002426 | Westfield Concessions | 1.23% | 76,678.01 | \$ 14,057.64 |
| 007005 | American Shuttle Inc. | 1.11% | 69,390.95 | \$ 12,721.67 |
| 008509 | Master Concessionaire LLC | 0.86% | 53,653.54 | \$ 9,836.48 |
| 003173 | MIAP/Bijoux Temer | 0.85% | 53,197.25 | \$ 9,752.83 |
| 008499 | Fig & Fennel at MIA, LLC | 0.44% | 27,586.61 | \$ 5,057.55 |
| 005308 | AMS of South Florida SGH JV | 0.38% | 23,692.62 | \$ 4,343.65 |
| 005829 | Icebox Café | 0.37% | 23,178.12 | \$ 4,249.32 |
| 004606 | Miami Concept, LLC | 0.35% | 21,811.18 | \$ 3,998.72 |
| 004014 | Smarte Carte Inc. | 0.34% | 21,379.25 | \$ 3,919.53 |
| 005691 | Taxco Sterling Co. | 0.33% | 20,611.66 | \$ 3,778.80 |
| 001741 | BFC Airport Stores, LLC | 0.32% | 20,063.43 | \$ 3,678.30 |
| 003178 | Navarro (Holiday CVS) | 0.28% | 17,345.46 | \$ 3,180.00 |
| 003174 | MIAP/Bijoux Temer | 0.23% | 14,199.07 | \$ 2,603.16 |
| 005275 | Areas USA, Inc. Books & Books | 0.22% | 13,905.77 | \$ 2,549.39 |

10/5/2017

Miami-Dade Aviation Department Confidential

**Miami-Dade Aviation Department
Invoices and Hurricane Irma Abatement Calculation**

| Agreement | Concessionaire | % of MAG | Total Monthly MAG | MAG Abatement 5.5 Days |
|-----------|--|----------------|------------------------|---------------------------|
| 000283 | Carrie Concessions Inc. Subway | 0.22% | 13,540.91 | \$ 2,482.50 |
| 009462 | Bongos Cuban Café DBA Estafan Kitchen Express | 0.21% | 13,195.00 | \$ 2,419.08 |
| 008934 | 305 Pizza | 0.21% | 12,851.96 | \$ 2,356.19 |
| 009923 | AC Holdings (May and June- Qtrly) | 0.20% | 12,500.00 | \$ 2,291.67 |
| 008484 | Chefs of the Caribbean | 0.18% | 11,250.00 | \$ 2,062.50 |
| 003175 | Air Sun, JV | 0.16% | 9,987.05 | \$ 1,830.96 |
| 008527 | My Ceviche (27 Entrepreneurs MIA, DBA George Stone Crab) | 0.16% | 9,880.38 | \$ 1,811.40 |
| 005758 | InMotions Entertainment | 0.14% | 8,931.14 | \$ 1,637.38 |
| 007915 | WDFG | 0.14% | 8,730.11 | \$ 1,600.52 |
| 008492 | Half Moon Empanadas at MIA | 0.14% | 8,696.24 | \$ 1,594.31 |
| 003176 | Brookstone | 0.13% | 7,811.72 | \$ 1,432.15 |
| 002231 | Communitel Inc. | 0.12% | 7,625.00 | \$ 1,397.92 |
| 006934 | Airball Sports-Miami Heat | 0.11% | 7,034.90 | \$ 1,289.73 |
| 009449 | Perry Ellis Menswear | 0.10% | 6,250.00 | \$ 1,145.83 |
| 008519 | Cuban Crafters | 0.10% | 6,236.11 | \$ 1,143.29 |
| 009903 | Half Moon Empanadas at MIA (Test Permit) | 0.04% | 2,187.50 | \$ 401.04 |
| 008676 | Marlins | 0.02% | 1,420.02 | \$ 260.34 |
| 010027 | CSS of South Florida, Inc. | 0.01% | 772.42 | \$ 141.61 |
| 008919 | IMCMV MIA Airport LLC | 0.00% | 0.00 | \$ - |
| | Total** | 100.00% | \$ 6,248,055.94 | \$ 1,145,476.92 |

** Excludes Rental Car Facilities

Average Daily MAG \$ 208,268.53
 Total MAG Abatement - 5.5 Days \$ 1,145,476.92

Memorandum



Date: October 30, 2017

To: Carlos A. Gimenez
Mayor

From: Leland S. Salomon, Deputy Director,
Regulatory and Economic Resources (HER) *[Signature]*
Miriam Singer, Senior Assistant Director,
Internal Services Department (ISD) *[Signature]*

Subject: Outstanding Airport Concession Transactions - Recommendations

During the last eight months, the following transactions were identified by either concessionaires or Miami-Dade Aviation Department (MDAD) as needing attention and/or resolution. The following are staff's recommendations on how each transaction should be dealt with:

1. **Cosmetics RFP-MDAD-10-16** - ISD Procurement requested that this item be returned to MDAD with the request that this contract be negotiated consistently with County processes and best practices. The Chairperson's report with the selection committee scores must be presented to the Mayor with a consensus statement. Once the Mayor or his designee approves moving forward with negotiations and the appointment of the Negotiations team, the vendor should be invited to negotiate at a meeting, and the proceedings must be audio recorded.
2. **Sim Cards RFP-MDAD-03-15** - This procurement was approved to move forward prior to the Mayor's concession freeze. Procurement has requested documents to ensure the correct process was followed and all requirements were met. When approved by ISD Procurement, the Agreement will be placed on the next appropriate agenda.
3. **Foreign Exchange RFP-MDAD-02-15** - This procurement was approved to move forward prior to the Mayor's concession freeze. ISD Procurement has requested additional documentation to ensure the correct process was followed and all requirements were met. When approved by ISD Procurement, it will be placed on the next appropriate agenda.
4. **Battery (Pilot Project)** - The only documentation regarding this proposed pilot project for Miami International Airport (MIA) is an email request for an appointment with the Director of MDAD. There is no correspondence between MDAD and the prospective concessionaire regarding any aspect of this transaction. We are, therefore, recommending that once MDAD procurement staff transfer takes place, an Expedited Procurement Process (EPP) solicitation, to be approved by Board of County Commissioners (Board), be immediately issued for this pilot project. Space will be leased for a one-year term, renewable for one additional year, provided certain performance levels have been attained.
5. **Jewelry (Pilot Project)** - Staff is recommending that once MDAD procurement staff transfer takes place, an Expedited Procurement Process (EPP) solicitation, to be approved by the Board, be immediately issued for this pilot project. Space will be leased for a one-year term, renewable for one additional year, provided certain performance levels have been attained.
6. **Electronics by Vending Machine (Pilot Project)** - The only documentation regarding this proposed pilot project for MIA is a draft agreement that includes an email indicating that no agreement had been reached specifically with regard to Fee and Payments. Questions remain as to the minimum annual guarantee (MAG) and Percentage Fee requirements. There is no

correspondence between MDAD and the prospective concessionaire regarding any other aspect of this transaction. We are, therefore, recommending that once MDAD procurement staff transfer takes place, an Expedited Procurement Process (EPP) solicitation, to be approved by the Board, be immediately issued for this pilot project. Space will be leased for a one-year term, renewable for one additional year, provided certain performance levels have been attained.

7. **Management of Airport Parking** – Staff is recommending that a new RFP be issued for these services. There is no reason to consider giving the present parking operator a fee increase on their present contract, which, terminated in September 2017. MDAD must immediately issue an RFP to replace this expired agreement.
8. **Airport Shuttle** – Is presently under audit. MDAD must immediately issue an RFP to replace this expired agreement.
9. **Starbucks, Gate 51** - This "agreement" was negotiated by MDAD under the authority granted in Board Resolution No. R-91-10. Correspondence between the parties granting approvals and authorization to move forward is evidence of negotiations having taken place in good faith. Additionally, design/construction plans have been developed for this location based on previous discussions and correspondence with MDAD. Staff recommends that the proper agreement between the parties be negotiated and forwarded to the Board for approval.
10. **Starbucks, South Terminal (pre-security)** - The only documentation regarding this proposed concession for a pre-security Starbucks location is an email from MDAD to US Customs and Border Patrol (CBP) requesting that they relocate to accommodate "a need for additional food and beverage concession facilities" in the area presently occupied by Global Entry. There is no correspondence between MDAD and the prospective concessionaire regarding any aspect of this transaction. We are, therefore, recommending that any area made available by relocation of CBP operations be included in an upcoming RFP for the South Terminal.
11. **Request from Westfield to Reopen NewsLink in E Satellite on a Temp Basis** – Staff recommends that this concession, which has expired, not be renewed and that the area covered by this Agreement become part of the new procurement for Terminal E Satellite.
12. **Jackson Soul Food (2 locations)** The Board approved one location by Resolution No. R-137-16. Staff recommends MDAD negotiate the terms of a Concession Agreement for that location and prepare an item to be submitted to the Board for approval as soon as possible. Staff was informed that Jackson Soul Food (JSF) was using the concessionaire SSP for financing, and SSP wanted to split the location and add a Chick-Fil-A restaurant. Staff recommends that if this location is too large for JSF, an alternate location should be chosen. Otherwise, any change to the original approval by the Board must go back to the Board for amendment.
13. **Penguin Clothes** – Has requested a larger location. Any new concession must be awarded through an open and competitive RFP Process.
14. **Duty Free Americas (extension of Term until 2024 for locations in EFGHJ)** – This "agreement" was negotiated by MDAD under the authority partially granted in Board Resolution No. R-96-14. As the original Concession Agreement for all Duty Free Americas (DFA) locations at MIA (North, Central and South Terminals) was negotiated as one agreement and was based in part on a MAG for all locations, and, when Board Resolution No. R-96-14 authorized the "Lease effective date or lease commencement date to September 14, 2014" of all concession agreements in Terminal D, then, assuming that because it was the only multi-terminal agreement at MIA, the parties entered into negotiations in good faith for the extension of the Central and South Terminal locations to co-

terminate with the stores in the North Terminal. This effectively extended any lease with a 10-year term to expire in 2024.

In May of 2015, MDAD forwarded to DFA a **FOURTH AMENDMENT TO LEASE AND CONCESSION AGREEMENT**, which included an extension to the Term until September 13, 2024 for all DFA's locations at MIA. As part of this Fourth Amendment, DFA agreed to an additional capital expenditure of \$17 million in its stores. DFA signed that Amendment and returned it to MDAD for execution and presentation to the Board for approval. On October 14, 2015, MDAD acknowledged receipt of the executed Amendment and requested affidavits to be included "as part of the package to go to the BCC." That Amendment never moved forward to the Board but even without a written agreement, DFA has already spent \$4 million.

Subsequent to 2015, there are other versions of the Fourth Amendment executed by DFA, and in one case, on December 28, 2016, by both DFA and MDAD, reflecting the change to the term of the North Terminal locations only. This was done to ensure that the North Terminal locations would not terminate before 2024.

Staff believes that there is sufficient documentation to show that negotiations for the extension of the term for DFA's stores in Central and South did take place and were in good faith. Nonetheless, this negotiation method is not consistent with County process as only the Mayor can authorize the initiation of negotiations. Therefore, staff recommends that the Mayor appoint a negotiating committee to negotiate a proper agreement between the parties and forward same to the Board for approval. Staff also recommends that the Mayors Special Assistant for MDAD Landside Business Operations be a voting member of the negotiating committee.

15. **Second Amendment to Bijoux Turner North Terminal Concession Agreement** - Staff recommends that the appropriate change to the calculation of MAG increases be made, changing the methodology from number of enplanements to the relevant CPI. This change is being made to all concession agreements at MIA. However, staff does not recommend the requested adjustment of MAG payments already made to MDAD.
16. **ADDITIONAL RETAIL OPPORTUNITIES** - As part of the Concession Agreement between MIA and Clear Channels Outdoor, Inc. approved by Board Resolution No. R-820-10 and subsequently assigned to Miami Airport Concessions LLC in October 1, 2011, the concessionaire has the "advertising concession," which among other rights and privileges, allows for temporary locations within MIA to be used for "advertising purpose". "The Concessionaire shall have the right, privilege, and obligation to finance, design, develop, install, maintain and operate Locations, depicted in Exhibit A, "Advertising Locations," for the purpose of establishing an Advertising Display Program at MIA as approved by the Department."

Staff understands that these are, for example, the liquor displays in the central mall of the Terminal D. This program is administered by MDAD and no other approvals are required. This contract is effective through July 19, 2020 with one two-year option to extend by MDAD.

- c: Jack Osterholt, Deputy Mayor and Director Regulatory and Economic Resources
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Tara Smith, Director, Internal Services Department
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