



Report to the Business Administration Committee

Pre-solicitation Terms

**For the Development and Operation of
A Fast Food Pad Site Concession**

at

Washington Dulles International Airport

March 2019



Purpose

Staff requests that the Business Administration Committee concur with the issuance of a solicitation for the development and operation of a fast food concession located at 44910 Rudder Road at Washington Dulles International Airport (Dulles International).

The proposed contract will have a term of 20 years from the commencement of operations, or June 30, 2020, whichever is earlier.



Background

- The Metropolitan Washington Airports Authority (Airports Authority) has a vacant pad site of approximately 3.05 acres at the northeast corner of Rudder Road and Ariane Way.
- The site is adjacent to a gas and convenience store which opened in 2016 that is leased to 7-Eleven. The 7-Eleven includes a Subway and a Laredo Taco within the convenience store.



Background (continued)

- The Airports Authority is now seeking a new fast food concession facility for the vacant pad site.





Discussion

- The fast food facility will be a nationally recognized brand and provide continuous operations, 24 hours a day. It will also provide drive-through accessibility.
- The proposed contract will provide for the development, construction and operation of a LEED-certified or LEED-certifiable building, with a 20-year lease term, commencing when the facility opens for business, or June 30, 2020, whichever is earlier.



Discussion (continued)

The solicitation will include three categories of rent:

- Base Ground Rent
 - \$110,272/year; with a 10 percent escalation every five years.
- Service Rent
 - Approximately \$51,000/year for the provision of services such as police, fire, and road maintenance.
- Percentage Rent
 - Defined as the greater of a Minimum Annual Guarantee (MAG) or six percent (6%) of total sales.
 - The MAG will increase at three percent (3%) annually.
 - Offerors will propose the initial MAG for the first year.
 - The minimum acceptable MAG for the first year will be one hundred and fifty thousand dollars (\$150,000).



Discussion (continued)

- The successful offeror will be responsible for all construction and development costs incurred, including any site work or infrastructure, permitting, and operating and utility expenses.
- The Department of Supplier Diversity has reviewed the solicitation and established a 25 percent Local Disadvantaged Business Enterprise participation requirement applicable to the design and construction work, and a 30 percent Airport Concessions Disadvantaged Business Enterprise goal applicable to the ongoing management and operations of the restaurant, based on the availability of certified firms with the capability to provide the associated services.



Evaluation

- Full and open competition will be achieved through a best value competitively negotiated procurement. In the determination of best value, non-price factors and price are separately evaluated and ranked, but it is the proposal that is found to represent the best overall value to the Airports Authority that forms the basis of award.
- Under this procurement method, proposals will be evaluated against the following criteria in descending order of importance:
 1. Concept Alignment;
 2. Development and Implementation Plan;
 2. Background, Experience and Financial Capability of Firm(s); and
 3. Property Management and Operations Plan.



Recommendation

Staff recommends that the Business Administration Committee concur with the issuance of a Request for Proposals to select a firm to develop and operate a fast food concession at 44910 Rudder Road at Dulles International.



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**REPORT TO THE BUSINESS ADMINISTRATION COMMITTEE
PRE-SOLICITATION TERMS
FOR THE DEVELOPMENT AND OPERATION OF
A FAST FOOD PAD SITE CONCESSION
AT WASHINGTON DULLES INTERNATIONAL AIRPORT
MARCH 2019**

PURPOSE

Staff requests that the Business Administration Committee concur with the issuance of a solicitation for the development and operation of a fast food concession facility located at 44910 Rudder Road on Washington Dulles International Airport (Dulles International) property. The proposed contract will have a term of 20 years from the commencement of operations or June 30, 2020, whichever is earlier.

BACKGROUND

The Metropolitan Washington Airports Authority (Airports Authority) has a vacant pad site of approximately 3.05 acres at the northeast corner of Rudder Road and Ariane Way (see Attachment 1).

DISCUSSION

The fast food concession will be a nationally recognized brand and must provide continuous operations, 24 hours a day. The offeror will be required to demolish the existing building and develop a free-standing concept that includes drive through accessibility. The proposed contract will provide for the development, construction and operation of a LEED-certified or LEED-certifiable building with a 20-year lease term. The term will commence when the facility opens for business, or June 30, 2020, whichever is earlier. The contract will require the successful offeror to pay the Airports Authority ground rent, service rent and percentage rent based on the operation's success:

1. **Ground Rent** will be calculated based on the acreage of the site and paid monthly from the start of the construction phase and throughout the term of the lease. Initially assessed at \$0.83 per square foot per year or approximately \$110,272 per year, the ground rent will escalate 10 percent every five years.
2. **Services Rent** for the provision of police, fire, roadway maintenance, etc., is calculated annually for building occupants at Dulles International and paid monthly. This rent will commence when the store opens, or on June 30, 2020, whichever is earlier, and continue throughout the term of the lease. Based on the

calculation of Services Rent for 2018, the initial annual service rent will be approximately \$51,000.00.

3. **Percentage Rent** will be calculated as the greater of a Minimum Annual Guarantee (MAG) or six percent (6%) of total sales, on an annual basis, from the commencement of operations. The MAG will increase at three percent (3%), annually over the term of the agreement. Offerors will propose the initial MAG. The minimum acceptable MAG for the first year will be one hundred and fifty thousand dollars (\$150,000.00) annually.

The successful offeror will be responsible for all construction and development costs incurred, including any site work or infrastructure, permitting, and operating and utility expenses. All design and construction will be reviewed and approved by the Airports Authority and will also be subject to any and all applicable federal, state and local regulations, including, but not limited to, the Airports Authority Design Manual and review by the Virginia State Historical Preservation Office (SHPO).

The Department of Supplier Diversity has reviewed the solicitation and established a 25 percent Local Disadvantaged Business Enterprise (LDBE) participation requirement applicable to the design and construction work, and a 30 percent Airport Concessions Disadvantaged Business Enterprise (ACDBE) goal applicable to the ongoing management and operations of the restaurant based on the availability of certified firms with the capability to provide the associated services. The LDBE participation requirement may be met through subcontract, joint venture, or other legal arrangements with Airports Authority certified LDBE firms. The ACDBE participation goal may be met through joint ventures, direct leases, contracts, or other legal arrangements with ACDBEs certified by the Virginia Unified Certification Program.

EVALUATION

Full and open competition will be achieved through a best value competitively-negotiated procurement. In the determination of best value, non-price factors and price are separately evaluated and ranked, but it is the proposal that is found to represent the best overall value to the Airports Authority that forms the basis of award.

Evaluation Criteria: Proposals will be evaluated based on the following criteria (in descending order of importance):

1. Concept Alignment;
2. Development and Implementation Plan;

3. Background, Experience and Financial Capability of Firm(s); and
4. Property Management and Operations Plan

RECOMMENDATION

Staff recommends that the Business Administration Committee concur with the issuance of a Request for Proposals to select a firm to develop and operate a fast food concession at 44910 Rudder Road on Dulles International property. The contract award will require Committee and Board approval.

Prepared by:
Office of Revenue
Real Estate Department
March 2019

Attachment 1

East



West