

Metropolitan Washington Airports Authority

FY 2018-2020 Airport Concession DBE Goal Methodology (Non-Car rental Concessions) for



Washington, D.C.

With Assistance From



Ken Weeden & Associates, Inc.

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METHODOLOGY for Establishing the FY 2018 – FY 2020 Airport Concession Disadvantaged Business Enterprise (ACDBE) Goal for:

Ronald Reagan Washington National Airport, Washington, D.C. (49 CFR Part 23)

Introduction: *As a recipient of Federal Department of Transportation funds, MWAA is required to establish an ACDBE program in accordance with regulations of the U.S. Department of Transportation (USDOT) 49 CFR Part 26. Pursuant to USDOT guidelines, the ACDBE program is to be narrowly tailored to the specific market area to level the playing field for small, minority, and woman-owned businesses to participate in airports concession opportunities. The goal is calculated for a three-year period to reflect current market conditions and guide the implementation of the ACDBE program through race and gender neutral (RN) and race and gender conscious (RC) means.*

In fulfillment of the requirements of 49 CFR Part 23, the Metropolitan Washington Airports Authority (Airports Authority) has developed a proposed Overall Goal for FY 2018 – FY 2020 for Non-car rental concessions at Ronald Reagan Washington National Airport.

General Information:

Airport Sponsor: **Metropolitan Washington Airports Authority**

Airport: **Ronald Reagan Washington National Airport**

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I. Amount of Goal

The Ronald Reagan Washington National Airport’s overall non-car rental goal for the period beginning October 1, 2017 and ending September 30, 2020 is the following:

Overall Goal:	<u>32.0%</u>
Race-Neutral:	<u>5.4%</u>
Race-Conscious:	<u>26.6%</u>

The goal is based on the total gross receipts for concessions at the Airport. The following are not included in the total gross receipts for concessions: (a) the gross receipts of car rental operations, (b) the dollar amount of a management contract or subcontract with a non-ACDBE, (c) the gross receipts of business activities to which a management contract or subcontract with a non-ACDBE pertains, and (d) any portion of a firm’s estimated gross receipts that will not be generated from a concession.

There are new non-car rental concession opportunities anticipated for this time period. If additional non-car rental concession opportunities arise prior to the end of this goal period and the estimated average of annual gross revenues is anticipated to be \$200,000 or greater, the Airport will submit an appropriate adjustment to the overall goal. This will be submitted to FAA for approval at least 90 days before issuing the solicitation for the new concession opportunity (23.45(i)).

Table 1: Non-Car rental Lease Dates

Concession	Concession Type	Lease start	Lease end
Marketplace Development	Food & Beverage	01/13/13	12/31/17
Marketplace Development	Retail	01/13/13	12/31/17
Dulles Duty Free, LLC	Duty Free	08/01/14	12/31/21
Clear Channel	Display Advertising	03/01/16	02/29/24
Capitol One	Banks & ATMs	02/01/13	01/31/18
Technical and Professional Services, Inc. (TAPS)	Taxi Dispatch	03/18/12	03/01/17
ICE Currency Services USA	Foreign Currency	06/01/13	05/30/20
Five Star U Street Parking	Parking	10/01/15	09/30/18
Supreme Airport Shuttle	Airport Shuttle	10/01/12	09/30/17
Washington Shuttle Inc. (Super Shuttle)	Airport Shuttle	10/01/12	09/30/17
CNN Airport Network	News Broadcast Service	11/01/14	10/31/19
Smarte Carte	Baggage Carts	09/01/14	08/31/19
New	Online Booking	TBD	

Note: Concessions that are shaded do not have opportunities.

A. Projected Concessions Opportunities: October 1, 2017 - September 30, 2020

ACDBE opportunity for the 3-year period will be the projected gross receipts in table 2 below. The projections were made by anticipating passenger traffic and concession revenue projections. Concessions shaded in table 1 do not have new opportunities during the goal period.

Table 2: FY 2018 – FY 2020 Projected Gross Receipts

Concession Type	Projected gross receipts
Food & Beverage	\$240,612,069
Retail	\$95,860,062
Duty Free	\$1,773,922
Display Advertising	\$37,503,716
Banks & ATMs	\$2,235,000
Taxi Dispatch	\$154,519
Foreign Currency	\$281,581
Parking	\$555,644
News Broadcast Service	\$150,000
Baggage Carts	\$1,393,351
Online Booking	\$150,000
Total	380,699,864

B. Determination of Market area

The market area is defined by the geographical area in which the substantial majority of firms which seek to do concessions business with the Airport are located and the geographical area in which the firms which receive the substantial majority of concessions-related revenues are located.

The Airport reviewed the location of its current concessionaires in table 3 below. For Food/Beverage, News/Gifts, News Broadcast Service, and Foreign Currency the Airport is proposing to use a National market area. A large number of concession leases and dollars go to concessionaires located out of the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA. The Airport is proposing to use the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA as the market area for the remainder of other non-car rental concessions.

**Table 3a: Non-car rental market area
(Food/Beverage & News/Gifts)**

Location	Concessions	Percent	Dollars	Percent
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	67	53.6%	\$56,231,286	59.9%
Other	58	46.4%	\$37,595,013	40.1%
Total	125	100.0%	\$93,826,299	100.0%

**Table 3b: Non-car rental market area
(News Broadcast Service & Foreign Currency)**

Location	Concessions	Percent	Dollars	Percent
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	0	0.0%	0	0.0%
Other	4	100.0%	\$3,697,776	100.0%
Total	4	100.0%	\$3,697,776	100.0%

**Table 3c: Non-car rental market area
(Other Non-car rental concessions)**

Location	Concessions	Percent	Dollars	Percent
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	9	75.0%	\$4,630,639	89.7%
Other	3	25.0%	\$531,940	10.3%
Total	12	100.0%	\$5,162,579	100.0%

II. Methodology used to Calculate Overall Goal

A. Goods and Services

The Airport can meet the percentage goal by including the purchase of goods and services used in business at the Airport from ACDBEs. The dollar value from purchases of goods and services from ACDBEs may be added to the numerator, and the dollar value from purchases of goods and services from all firms (ACDBEs and non-ACDBEs) may be added to the denominator.

B. Management Contract or Subcontract

The Airport can meet the percentage goal by including any business operated through a management contract or subcontract with an ACDBE. The Airport, and the businesses at the Airport, will add the dollar amount of a management contract or subcontract with an ACDBE to the total participation by ACDBEs in airport concessions (both the numerator AND the denominator) and to the base from which the Airport's percentage goal is

calculated. However, the dollar amount of a management contract or subcontract with a non-ACDBE and the gross revenue of business activities to which the management contract or subcontract pertains will not be added to this base in either the numerator or denominator.

C. Step 1: 23:51(c)

The Airport determined the base figure for the relative availability of non-car rental ACDBEs. The base figure was calculated as follows:

The Step 1 DBE Base Figure was determined by dividing the number of ACDBE firms available by the total number of firms available to determine the relative availability of ACDBEs as indicated in **Table 4** below.

Table 4: Determination of Relative Availability of ACDBEs

Concession Type	Contract Start Date	Contract End Date	DBEs	All Firms	Availability	Percent of receipts	Weight
*Food & Beverage	01/13/13	12/31/17	285,606	726,166	39.3%	63.2%	24.8%
*Retail	01/13/13	12/31/17	340,832	1,133,887	30.1%	25.1%	7.6%
Duty Free	08/01/14	12/31/21			25.0%	0.5%	0.1%
Display Advertising	03/01/16	02/29/24			10.0%	9.8%	1.0%
Banks & ATMs	02/01/13	01/31/18	0	1,827	0.0%	0.6%	0.0%
Taxi Dispatch	03/18/12	03/01/17	11	67	16.4%	0.0%	0.0%
*Foreign Currency	06/01/13	05/30/20	382	1,527	25.0%	0.1%	0.0%
Parking	10/01/15	09/30/18	19	728	2.6%	0.6%	0.0%
*News Broadcast Service	11/01/14	10/31/19	93	877	10.6%	0.0%	0.0%
Baggage Carts	09/01/14	08/31/19	42	335	12.5%	0.4%	0.0%
Online Booking	TBD		4	447	0.9%	0.0%	0.0%
Step 1 Base figure							33.5%

*Indicates concessions with a national market area. Data from the US Census Bureau, Survey of Business Owners was used to determine ACDBEs and All firms.

- Sources:
1. Virginia UCP DBE Directory, June 2017.
 2. Maryland UCP DBE Directory, June 2017.
 3. District of Columbia UCP DBE Directory, June 2017.
 4. West Virginia UCP DBE Directory, June 2017.
 5. 2015 County Business Patterns, US Census Bureau.
 6. 2012 Survey of Business Owners, US Census Bureau.

In the case of “local” ACDBE and All firm searches, the DBE directories listed above and the US Census Bureau County Business Pattern data was utilized. In the case of “national” ACDBE searches, US Census Bureau’s 2012 Survey of Business Owners was utilized.

Concessions that are shaded do not have opportunities during the goal period. The current ACDBE concession specific goal is used as relative availability for concessions that do not have opportunities. Concession NAICS codes are only available up to six digits and therefore some of the availability numbers may include businesses that are not the specific concession listed. The use of these codes represent the best data available.

D. Step 2: 23.51(d)

After calculating a base figure of the relative availability of ACDBEs, the Airport examined evidence to determine whether or not the base figure needs to be adjusted in order to arrive at the overall goal.

The data used to determine the adjustment to the base figure was:

1. **Past participation** – The Airport evaluated the current capacity of ACDBEs to perform work in non-car rental concessions programs by measuring the volume of work ACDBEs have performed in the past. Notice the previous accomplishments in the table below.

Table 5: Ronald Reagan Washington National Airport ACDBE Accomplishments FY 2014 - FY 2016

Year	Goal	Accomplishment	Over/Under
FY 2014	29.00%	34.39%	5.39%
FY 2015	30.00%	35.98%	5.98%
FY 2016	30.00%	30.64%	0.64%
Median	30.00%	34.39%	5.39%

Source: ACDBE Accomplishment Reports, Ronald Reagan Washington National Airport (FY 2014-2016)

2. **Disparity Study**

The Airport is aware of a disparity study published February 8, 2017 for the State of Maryland and the Maryland Department of Transportation. Although the study appears to have substantial information the study wasn't specific to Airport Concessions and therefore was not used in goal setting.

E. Adjustment of the Step 1 Base Figure

The Airport will adjust the base figure with the FY 2016 ACDBE accomplishment indicated in table 5. The Airport believes that the FY 2016 accomplishment represents current capacity at the Airport. ACDBE accomplishments have been reduced due to the Airports terminal redevelopment program.

In order to reflect as accurately as possible the ACDBE participation the Airport would expect in the absence of discrimination, the Airport Authority has adjusted the base figure of 33.5% downward by 1.5 points. The overall goal for non-car rental concessions is 32.0%.

III. Consultation with Stakeholders (23.43)

As a recipient of federal funds the Airport is required to consult with stakeholders prior to the submission of its ACDBE goals.

Before establishing the ACDBE non-car rental goal, the Airport consulted with stakeholders in its concession program to obtain information concerning the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for ACDBEs, and the Airport's efforts to establish a level playing field for the participation of ACDBEs.

The Airport held a public meeting on July 12, 2017, where stakeholders were given an overview of the ACDBE program and an opportunity to comment on the goal methodology. Comments from the meeting and the attendee list can be found in Appendix A.

Breakout of Estimated Race-Neutral & Race-Conscious Participation **Section 23.51**

The Airport will meet the maximum feasible portion of its overall goal by using race-neutral means of facilitating ACDBE participation. The Airport will use the race-neutral measures listed below to increase ACDBE participation. The Airport understands that it will be expected to actually take these steps, and this is not merely a paper exercise.

1. Locating and identifying ACDBEs and other small businesses who may be interested in participating as concessionaires under 49 CFR Part 23;
2. Notifying ACDBEs of concession opportunities and encouraging them to compete, when appropriate;
3. When practical, structuring concession activities so as to encourage and facilitate the participation of ACDBEs;
4. Providing technical assistance to ACDBEs in overcoming limitations.
5. Ensuring that competitors for concession opportunities are informed during pre-solicitation meetings about how the sponsor's ACDBE program will affect the procurement process;
6. Providing information concerning the availability of ACDBE firms to competitors to assist them in obtaining ACDBE participation.

The Airport proposes a race-conscious goal of 26.6% and a race-neutral goal of 5.4%, for a total of 32.0%. The reason for this projected split is that the median amount by which the Airport

over achieved its goals over the preceding three (3) year period as shown in Table 4 is 5.4% (5.39%).

If the Airport projects that race-neutral measures, standing alone, are not sufficient to meet an overall goal, it will use the following race-conscious measures to meet the overall goal:

1. Establish concession-specific goals for particular concession opportunities;
2. Negotiate with potential concessionaires to include ACDBE participation through direct ownership arrangements or measures, in the operation of the concession; and
3. Utilize, with prior FAA approval, other methods that take a competitor's ability to provide ACDBE participation into account in awarding a concession.

In order to ensure that the ACDBE program will be narrowly tailored to overcome the effects of discrimination, if the Airport uses concession-specific goals, it will adjust the estimated breakout of race-neutral and race-conscious participation as needed to reflect actual ACDBE participation (see 26.51(f)) and the Airport will track and report race-neutral and race conscious participation separately. For reporting purposes, race-neutral ACDBE participation includes, but is not necessarily limited to the following: ACDBE participation through a prime contract that an ACDBE obtains through customary competitive procurement procedures, ACDBE participation through a subcontract on a prime contract that does not carry ACDBE goals; ACDBE participation on a prime contract exceeding a concession specific goal; and ACDBE participation through a subcontract from a prime contractor that did not consider a firm's ACDBE status in making the award.

The Airport will maintain data separately on ACDBE achievements in those contracts with and without concession-specific goals, respectively.

Resources: Ronald Reagan Washington National Airport FY 2018 - 2020 Airport Concession DBE Program Methodology (Non-Car rental Concessions)

Resource Documents:

1. Virginia UCP DBE Directory, June 2017.
2. Maryland UCP DBE Directory, June 2017.
3. District of Columbia UCP DBE Directory, June 2017.
4. West Virginia UCP DBE Directory, June 2017.
5. 2015 County Business Patterns, US Census Bureau.

Appendix A: Stakeholder Meeting -July 12, 2017 10:30 a.m., for Non-Car Rental Concessions: MWAA-ACDBE Goal Methodology for Reagan National and Dulles International Airports (Combined Stakeholder Meeting), for FY 2018-2020

Attendees: (14)

Summary of Meeting: The stakeholder meeting was opened by Wande Leintu, Deputy VP, Department of Supplier Diversity for the Metropolitan Washington Airports Authority. Ms. Leintu gave a brief purpose statement for the stakeholder meeting, in reference to the ACDBE program and the required 3-year update, prior to submission to the FAA. She asked all present to introduce themselves, including the consultant representatives from Ken Weeden & Associates. After all introductions, Ms. Leintu, re-introduced Kenneth Weeden, of the consultant firm and turned the presentation over to him. Mr. Weeden along with Wilfred Nixon provided a PowerPoint presentation and covered and explained the following:

- Background, purpose, and goal requirements of the FAA-ACDBE program.
- Overview of the ACDBE goal methodology and basic requirements, such as use of most refined data, identification of a normal market area, and employment of a two-step process in establishing the overall 3-year ACDBE goal for the Metropolitan Washington Airports Authority.
- Calculation of the base-figure goal (step 1), and adjusted goal (step 2), through “weighting” and consideration of indicators of “capacity”.

Questions/Comments

1. On the methodology, how was the Market Area determined? It is based on where the majority of the vendors come from.
2. Were the goals of surrounding entities, such as BWI, or Metro, or Maryland DOT, considered in the goal methodology. No, they were not.
3. Please explain “race-neutral” participation.
4. It is difficult to get companies to achieve ACDBE goals. The goals are higher than companies are willing to achieve.
5. The use of market based pricing is a hindrance to ACDBEs. Airports put a cap on prices but do not put a cap on the amount of rent charged.
6. Concession rent should be based on location. Locations with less traffic should have lower rent.
7. It is not about supply and demand because airports put a cap on prices.
8. Prime concessionaires can spread out the variability of prices and ACDBEs cannot.
9. Retail concessions cannot amortize build out in 5 years and refurbish every two years.
10. Contractors know that concessionaires have to spend a required amount for buildout and that is how much they charge.
11. Airports should come up with creative ideas for financing. Primes will but don’t want to finance ACDBEs, banks won’t finance and venture capitalist want equity.

12. MWAA used to assist ACDBEs with buildout and lease payments.
13. MWAA has gotten away from assisting ACDBEs.
14. Some Airports have ACDBE rent subsidies.
15. Concessionaires cannot recoup investment in 5 years.
16. Are ATM machines considered "Concessions"? Are goals placed on them? Yes, and very likely.

Appendix B: NAICS Codes used

Food & Beverage	
Food Service Contractors	722310
Caterers	722320
Mobile Food Services	722330
Drinking Places (Alcoholic Beverages)	722410
Full-Service Restaurants	722511
Limited-Service Restaurants	722513
Cafeterias, Grill Buffets, and Buffets	722514
Snack and Nonalcoholic Beverage Bars	722515
Retail	
Electronics Stores	443142
Convenience Stores	445120
Baked Goods Stores	445291
Confectionery and Nut Stores	445292
Cosmetics, Beauty Supplies, and Perfume Stores	446120
Men's Clothing Stores	448110
Women's Clothing Stores	448120
Clothing Accessories Stores	448150
Other Clothing Stores	448190
Jewelry Stores	448310
Luggage and Leather Goods Stores	448320
Sporting Goods Stores	451110
Hobby, Toy, and Game Stores	451120
Book Stores	451211
News Dealers and Newsstands	451212
Gift, Novelty, and Souvenir Stores	453220
Foreign Currency Exchange	
Foreign Currency Exchange	523130
Scheduled Bus Service	
Scheduled Bus Service	485510
Television Broadcasting	
Television Broadcasting	515120
Baggage Carts	
Baggage Carts	812990
Online Booking	
Online Booking	561510
Parking	
Parking	812930
Taxi Dispatch and Taxi	
Taxi Dispatch and Taxi	485310

Appendix C: Concessions Specific Calculations (for Airport use only)

Concession Specific Calculations

Concession Type	Step 1	Adjustment	Potential Goal
Food & Beverage	39.3%	43.0%	41.2%
Retail	30.1%	31.3%	30.7%
Duty Free	25.0%	N/A	N/A
Display Advertising	10.0%	N/A	N/A
Banks & ATMs	0.0%	N/A	0.0%
Taxi Dispatch	16.4%	100.0%	58.2%
Foreign Currency	25.0%	74.3%	49.7%
Parking	2.6%	27.5%	15.1%
News Broadcast Service	10.6%	N/A	10.6%
Baggage Carts	12.5%	N/A	12.5%
Online Booking	0.9%	N/A	0.9%

Concessions that are shaded do not have opportunities during the FY 2018 – FY 2020 goal period. Step 1 is the availability in chart 5 of the methodology. The adjustment is the average of the FY 2014 and FY 2015 accomplishment for each concession.