CITY OF HOUSTON

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August 8, 2014

**SUBJECT:** **Response to Questions Received for Draft Retail Request for Proposals**

This response is issued to provide responses to the following questions:

1. **Question:** Would it be feasible to cross reference the existing location sales to the proposed spaces. As an example – IAH Retail Package Three, Proposed Unit TCSR-5 Specialty Retail, what are the current sales of the existing unit?
   **Response:**
   Due to the changes in space size, concepts and locations providing the requested information is not feasible.

2. **Question:** What are the enplanements by Concourse for IAH?
   **Response:**
   Table of enplanements provided in final RFP. See ATTACHMENT C.

3. **Question:** For Duty Free - what are the International enplanements by Concourse at IAH and the International enplanements at HOU?
   **Response:**
   See Attachment C-1. IAH Table of International enplanements provided in final RFP.
   No International enplanements at HOU.

4. **Question:** IAH – In regard to Limitation on Consideration for Packages, Section 4.4, we ask that Retail Package 3, for Duty Free/Specialty Retail space and which includes all of the duty free locations, be separated from Retail Packages 1 and 2, which are packages for the News/Convenience/Specialty Retail spaces.

   The duty free shops are typically separated from duty paid shop packages because of the significant differences in operating shops that involve customs regulations and bonded warehouses. The Authority has recognized the difference between Food & Beverage Packages versus Retail Packages and has allowed for an operator to win a Food & Beverage package as well as a retail package. We request that a similar recognition be made between news/specialty packages and the Duty free package and that Proposers be permitted to win a news/specialty package and a duty free package.

Council Members: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Richard Nguyen Oliver Pennington Edward Gonzalez Robert Gallegos Mike Laster Larry V. Green Stephen C. Costello David W. Robinson Michael Kubosh C.O. "Brad" Bradford Jack Christie
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If a separate category is not created for the duty free duty paid package (for the purpose of limiting how many packages can be won) then we request that the limitation be changed to allowing a proposer to win only 1 of package 1 and 2. But, any proposer can win package 1 or 2 AND package 3.

**Response:**

No change

5. **Question:** HOU - In Retail Package 1, the package includes "Concierge" service, which is not normally included as part of retail packages. We would request that Concierge service be removed from the package.

**Response:**

No change

6. **Question:** IAH - What is the timeline for the Mickey Leland International Terminal (MLIT) and which airlines will stay in Terminal D and which will move to MLIT. In order for my company to consider biding, we will require a clear explanation of what will happen with the MLIT and Terminal D.

It is our understanding that: the MLIT is scheduled to open in 2019 or 2020
Attachment A page 2 says the foreign carriers will move into MLIT 4 or 5 years into the contract or about 2019 or 2020.
The draft RFP talks about a buyout of the Terminal D spaces when MLIT opens;
There will be a separate RFP for the MLIT concessions.
With a 10-year contract to June 2025, there is at least 5 years when 89% of the current sales moves to MLIT leaving a minimally justifiable duty free concession in Terminals A, B, and C.

**Response:**

Roughly half MLIT building is scheduled to open in late 2019. Foreign carriers will begin moving into MLIT at that time. The remainder of MLIT will open in 2021.
HAS will buy out the unamortized amount of the Terminal D locations when the MLIT project requires the location to be demolished.
Yes, there will be a separate MLIT Concessions RFP.
United Airlines will continue to have international departures from Terminals B and C even after MLIT opens.

7. **Question:** What UAL international flights will move to the new B North Pier in 2017?

**Response:**

United Airlines will have international departures at all terminals except for Terminal A. The number of international flight departing from each terminal will be at United's discretion.

8. **Question:** What happens to the MAG when Terminal D closes? The current formula of 85% of the prior year will be way, way too high.

**Response:**

MAG will adjust based on sales and rent of the facilities that remain.

9. **Question:** Will there be a cap ($/SF) on the buyout amount for the Terminal D locations?

**Response:**

No cap. However, all designs and build-outs are subject to HAS review and approval and extraordinary build-out costs will not be approved.

10. **Question:** What are the current duty free store locations and sizes?

**Response:**

- Terminal A North is a wall unit approximately 65 sf. This location will remain in Retail Package NO 3 – Space # TADF1

- Terminal B is currently a wall unit approximately 54 sf. This is replaced by Retail Package NO 3 – Space # TBDF1 1,200 sf.
- Retail Package NO 3 – Space # TDDF1 and Space # TDDF2 are existing locations and will remain.

11. **Question:** The "Term" on page 7 states on or about January 1, 2015 but page 73 says the duty free would start July 1, 2015. Is the July 1, 2015 date correct for Package 3? If it is January 1, we would request that the date be moved a day or two ahead or after New Year' Eve as the U.S. Customs requirements for duty free make inventory counting and reporting on New Year's Eve very, very difficult as is getting the required extra manpower to work on New Year's Eve.
**Response:**
Yes. The issue can be addressed with the selected proposer.

12. **Question:** Can the bid deposit be a bid bond? As currently stated on page 20, it is only a cashier's check or certified check. However, the performance bond is permitted to be a bond.
**Response:**
Page 20 reference a "proposal guarantee" (not "bid deposit"). A bond is not acceptable only a cashier's or certified check.

13. **Question:** Page 61 and Attachment A page 3, -- requires comparison to local locations. For duty free, many of the products are fashion styles or in locked cabinets for which local price comparisons are difficult to obtain. Instead of local comparisons, could we use one of these alternatives:
    - National pricing at other Airports
    - Manufacturer's suggested retail price
    - A limit on the number of SKUs to compare, say the top 10 per category

**Response:**
Duty free items will not be subject to street pricing comparisons, however non-duty free retail and pre-printed retail priced items will be.

14. **Question:** The language on Page 4 wasn't clear. It indicates ten (10) copies including one (1) printed original. Can you confirm or clarify that it means 1 Original + 9 copies for a total of 10? or something else?
**Response:**
Yes. One (1) Original + 9 copies for a total of 10.

15. **Question:** Section 5.9 Background and Experience Exhibit X asks for manager experience. Can we limit the number to say 5 airports?
**Response:**
No change

16. **Question:** Section 5.11 Financial Capability asks for Federal Tax Forms if there is no Dun & Bradstreet Report. The Federal Tax return can be hundreds of pages. Can this requirement be redefined more narrowly to only include certain sections of the federal tax return?
**Response:**
No change

17. **Question:** Please consider separate percentage rents for News/Convenience and

Specialty Retail. By setting a percentage fee rate of no less than 14% for all specialty retail, many local, regional and national brands will be excluded from the proposal process.

**Response:**

No change

18. **Question:** In Retail Package No. 1 – Terminal C North, please consider reversing the description for TCNR2 (from Temporary Electronics/Gadgets to Temporary News/Convenience) and TCNR1 (from Temporary News/Convenience to Temporary Electronics/Gadgets). TCNR2 is oversized for Electronics/Gadgets and a News/Convenience location in TCNR1 will allow better use of space to optimize sales and customer service.

    **Response:**

    The Temporary C North locations can be down-sized by the selected proposer subject to HAS review and approval.

19. **Question:** In Retail Package No. 2 – Terminal B, please consider reversing the description for TBR-6 (from Electronics/Gadgets to News/Convenience) and TBR-4 (from Temporary News/Convenience to Temporary Electronics/Gadgets). Again, this will achieve a better right sizing of locations for the description use and enhance presentations and sales.

    **Response:**

    These locations are not Temporary. Parties may propose re-demising the Space # TBR6 and Space #TBR4 such that the smaller unit is at least 450 square feet. Whether these units are re-demised or not, the Electronics unit must be the western-most of the two.

20. **Question:** In Retail Package No. 2 – Terminal D, please consider the option to combine TDR-1 and TDR-2 to one location featuring both News/Convenience and Specialty Retail.

    **Response:**

    No change

21. **Question:** There is a disparity of support space in Terminal C in Package 2, which has only 1471 sq. ft. of storage versus Package 1 which has 3530 sq. ft., is this an oversight; is there any additional support space available in Terminal C for Package 2?

    **Response:**

    No change

22. **Question:** In both Retail Packages there are spaces located at the Terminal C Checkpoint area, the current storefronts are set back several feet from the walkway area; is there any opportunity that the storefronts can be extended forward to align with the FIPs, as part of the build-out, instead of being recessed?

    **Response:**

    No change

23. **Question:** In Retail Package 2, Space TCNR6 is proposed at 1,500 sq. ft., however in its current use it is 2,630 sq. ft. Is there an opportunity to utilize the back portion, that has been removed from the space for the proposal, as a stock area for the Space TCNR6?

**Response:**

Yes. Please reflect accordingly proposed floor plan.

**24. Question:** HAS would accept a comparative negligence standard for the indemnification provisions, i.e. a standard that reduces our indemnification obligations to the City based upon the degree to which the City's own negligence contributed to cause the damages?

**Response:**

No.

**25. Question:** It would be acceptable to include certain customary insurance terms, such as allowing our umbrella policy to cover all insurance provisions?

**Response:**

No.

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