

SILICON VALLEY'S AIRPORT



Airport Food and Beverage RFP

Council Item Number 19-354; May 21, 2019

Presenters: John Aitken, Kim Hawk, Drake Beaton

F&B RFP Goals and Objectives (abridged)

1. Present attractive, welcoming concessions that create a sense of place and promotes the “look and feel” of San José and the Silicon Valley;
2. Maximize customer satisfaction with high quality products and services, that include competitive pricing, cleanliness, quality, selection, and service across all times of day;
3. Provide well known, market tested, and recognizable local, national, and regional brands;
4. Provide a wide selection of food and beverage products that meet today’s food trends and address various types of life style preferences;
5. Provide a mix of food and beverage service categories including casual dining, fast casual, quick service, bars, and specialty coffee;
6. Allow for a strong financial return for the successful proposers and the City;
7. Comply with the Airport Living Wage Ordinance and Prevailing Wage Policy.
8. Practice an environmentally conscientious business operation;
9. Provide a high level of design and finish;
10. Integrate the latest technology to address high traffic periods.





Inclusive Bid Efforts

All packages provided opportunities for local and small businesses to participate

- Package I: Opportunity to partner with a larger company
- Packages II and III: Opportunities to propose on two individual locations

RFP Inclusive Efforts:

- Minimum qualifications for all packages were lowered, allowing more companies to qualify to bid
- Required revenue percentages to be paid to the Airport were restructured
- Minimum capital investment was established at \$700 per square foot
- Pricing was biddable up to +15% above street pricing
- Mid-Term Refurbishment period was removed from the initial 15-year term and will only be implemented upon execution of the 5-year option period



Outreach Efforts

Extensive Outreach Conducted:

- Prior to the release of the RFP:
 - 4 Outreach Sessions and 1 Industry Session at City Hall in July 2018
 - Sent 8,668 postcard invitations to the outreach sessions
 - Contacted over 500 businesses via phone and/or email
 - Ads in the San José Mercury News and aviation industry magazines
 - Social Media Campaign including outreach via Facebook, Twitter and SJC website
 - The sessions were well attended by approximately 200 people representing around 80 companies
- Following the release of the RFP, many of the outreach efforts were duplicated:
 - Posted to BidSync, and notified Council Members, and various business and ethnic chambers
 - Ads in the San José Mercury News and multiple aviation industry magazines
 - Called and/or emailed over 450 interested businesses



RFP Key Terms and Conditions

1. Term: Fifteen years with one five-year option to extend upon mutual agreement
2. Revenue to the Airport:
 - A. Concessionaire will pay percentage of sales for the first year while concepts are under construction
 - B. Commencing on July 1, 2021, and all subsequent years, the concessionaire shall pay the greater of: Minimum Annual Guarantee (MAG) as proposed, or Percentage of Sales:
 - i. Percentage of Sales calculated by location and will reset annually on July 1st
 - a. 8% of Gross Receipts up to \$1,000,000
 - b. 10% of Gross Receipts \$1,000,000.01-\$2,000,000
 - c. 13% Gross Receipts over \$2,000,000
 - ii. Subsequent years MAG will be calculated as 85% of the previous year's percentage of sales paid to the Airport, however, will not be less than the previous year's MAG
3. Minimum Capital Investment: \$700 per square foot (Biddable Item)
4. Street Pricing Mark-Up: Up to 15% of current street pricing (Biddable Item)

The Evaluation Panel



Amy Shaw, Commercial Business Development Manager at LAS

- Over 20 years of airport concession experience
- 8 years at LAS overseeing 160+ concession program
- Developed numerous award-winning airport concession programs, including DEN, SEA, LAS, and LAX
- Serves as a Chairperson of the Urban Chamber of Commerce Business Council, is an ACDBE liaison, and mentors local and small business owners



John Reeb, Senior Principal Property Manager at SFO

- 9 years at SFO, overseeing an award-winning concession program at SFO consisting of 168 locations
- 12 years in retail food and beverage operations for a major airport concessionaire



Paul Brown, Assistant General Manager of Commercial Development at ATL

- Over 20 years of experience in concessions including serving as a consultant for airport food and beverage and retail businesses
- Oversees properties, airline affairs, concessions, parking, air service development and innovation
- ATL's concession program consists of 300+ locations that generate nearly \$500 million in annual revenue, at the world's busiest airport
- Under Mr. Brown's direction, ATL and its tenants have won numerous best-in-class awards



Nyle Marmion, Program Manager Airside & Terminal Operations at SAN

- 29 years of airport management experience developing and managing the concessions program at SAN
- Led the development of SAN's award winning multi-concessionaire food and beverage/retail program and sat on multiple RFP panels

The Evaluation Panel



Laura Chmielewski, Interim VP of Marketing and Communication at Team San Jose

- Led the development and launch of San José and Silicon Valley's first destination brand and has sat on numerous concession panels
- Intimate knowledge of the San José area and its trends, and she provides direction to the Team San Jose's marketing program, including featuring of many of its culinary experiences



Kim Hawk, Deputy Director, Finance & Administration at SJC

- 5 years at SJC overseeing all Properties functions, including Concessions
- Best-in-class award for innovation
- Under her direction the concessions program has restructured both the retail and food and beverage programs which will now add nationally recognized brands such as Tumi, Rip Curl, Shake-Shack, Trader Vic's, and Smashburger.



Bob Lockhart, Deputy Director of Operations at SJC

- 24 years in the Operations Division
- His Division includes; Airside, Landside, Security and Terminal Management/Customer Service, with staff directly involved with the day-to day operations and regulatory requirements of the Airport
- His staff works closely with the Concessions Team to ensure the passenger experience is positive while maintaining maximum efficiency at SJC



Package II: Elevate Gourmet Brands-SJC Group



ACDBE Participation: 15%
Capital Investment: \$932,800
MAG: \$143,000 or \$2,002,000 over the term
Street Pricing + 12%

- Local operator based in San Rafael, with more than 20 years of experience operating concessions at Airports globally, including Japan, the Middle East and the United States
- 15% ACDBE partnership with Aimhigh
- San Jose Mac+Cheese Kitchen
 - Local beers and wines
 - Locally sourced ingredients to support the local economy of growers, brewers, and wine makers



Package II Elevate Gourmet
Terminal B: San Jose Mac+Cheese Kitchen



Package III: WSE Group Inc.

ACDBE Participation: 100%
Capital Investment: \$876,000
MAG: \$233,499 or \$3,268,985 over the term
Street Pricing + 15%



- Local 100% ACDBE company with more than 30 years of food and beverage operation and management experience
- Continuous concession operations at the San José Airport since 2000
- Dish n Dash features a local, Mediterranean fast-casual dining with six locations in Sunnyvale, Milpitas, and San José



Package III WSE Group
Terminal B: Dish n Dash



Package I: SSP America Inc.

ACDBE Participation: 35%

Capital Investment: \$17,355,400

MAG: \$3,003,363 or \$42,047,082 over the term

Street Pricing + 15%

SSP's proposal includes community anchored dining through a mix of recognizable local chefs, partnerships, and concepts

Local Chefs

- David Kinch, Manresa, Los Gatos
- Armando Navarro, Olla Cocina, San José
- Chris Yeo, Strait's, San José
- Bob Cina, District, San José
- Jim Stump, The Table, San José; Vesper and Forthright, Campbell

Local Partnerships

- Manresa Bread, Los Gatos
- Academic Coffee, San José
- Verve Coffee, Santa Cruz
- Bagel Guys Bakery, San José
- Locally sourced farmers, vendors, beers, and wines used at various concepts



Package I SSP America: Concepts
Terminal A: Olla Cocina





Package I | SSP America
Terminal A: California Market by David Kinch



BAR KINCH



Package I SSP America
Terminal B: San Pedro Square Market







San Pedro Square Market

KENJEE GUNGER BAR
STRAITS BARREN STREET
MARKET DELIC CO.
SANTHRA
DISTRICT PIZZIN



wine

whiske

cockt

San Pedro Square Market

KIMJEE BURGERS BAR
STRAITS BARBERS STREET
MARKET DEER CO.
LAKSHMAN
DISTRICT PIZZIN



Package I SSP America
Terminal B: The Farmer's Union





Package I SSP America
Terminal B: Peet's Coffee

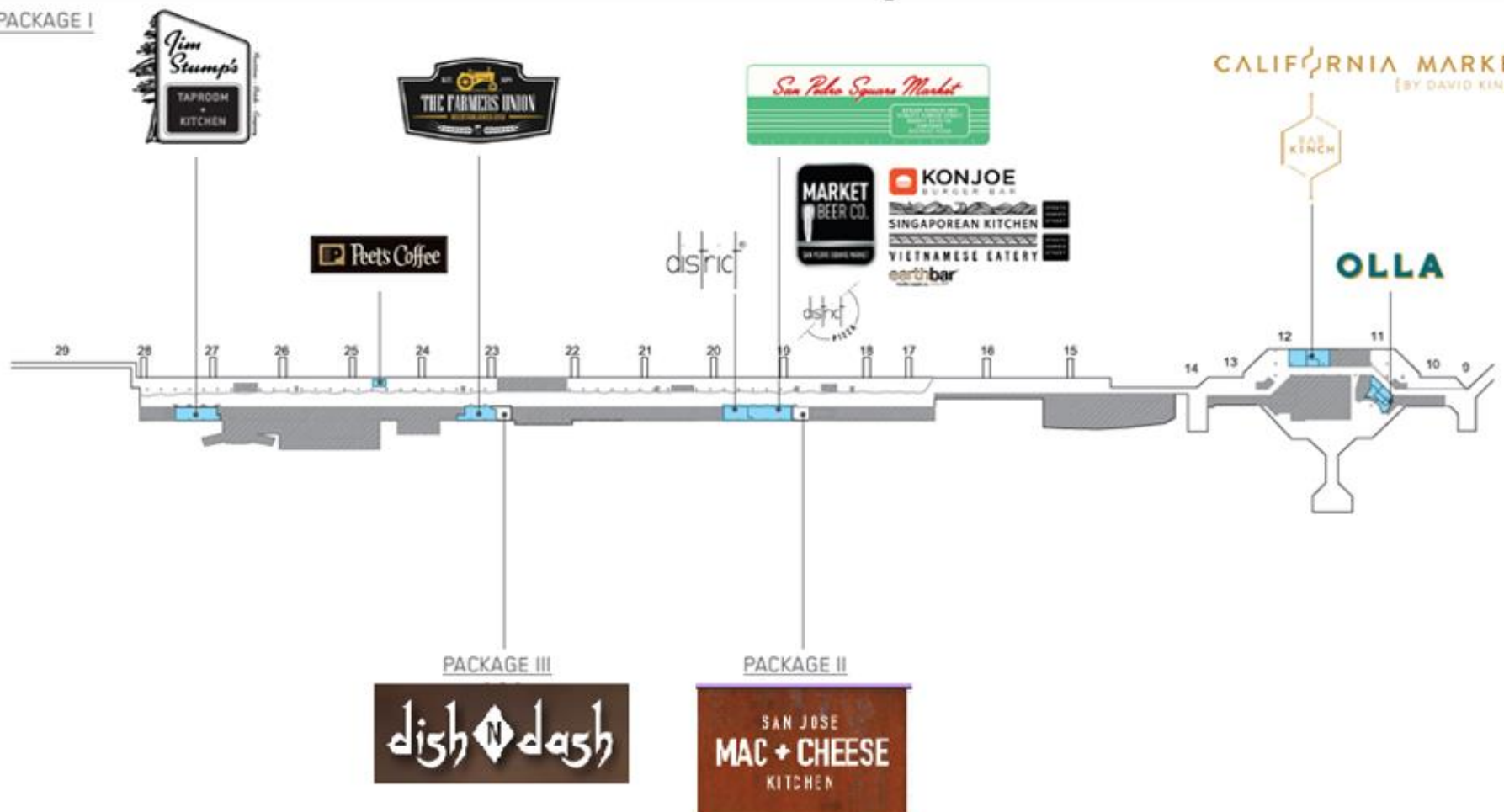


Package I SSP America
Terminal B: Jim Stump's Taproom + Kitchen





PACKAGE I







Results

- Rich and unique blend that highlights both San José and the Silicon Valley while featuring several well-known local chefs, and concepts that feature locally sourced ingredients, including wine and beer from local wineries and Breweries
- Maximize passenger satisfaction by offering a broad selection of high quality products and services, while also offering competitive pricing, cleanliness, and service across all times of day
- Wide variety which will cater to today's food trends and lifestyle preferences
- High-end and innovative design finishes that complement the look of the Airport
- **MAG over the 15 year term: \$47, 318, 068 or 20% greater than today's MAG**
- **Minimum Capital Investment: \$19.2 Million**
- **ACDBE food and beverage participation increases from the current 35% to an anticipated 39% for these packages of space**



Recommendation for Award

Package I: SSP America Inc.

Package II: Elevate Gourmet Brands – SJC Group

Package III: WSE Group Inc.