

SILICON VALLEY'S AIRPORT



**Industry
Conference
July 24, 2018**

Introduction



- **Mark Kiehl**, Air Services Development Manager
- **Drake Beaton**, Principal Property Manager
- **Aaron Ushiro**, Senior Architect
- **Magdalena Nodal**, Senior Analyst
- **David Nissenon**, Air Projects Consultant

Courtesy



- Please silence all cell phones



Agenda

- Air Traffic Update
- Goals and Objectives
- Prime Package Review
- Expected Business Terms
- The RFP Process

SILICON VALLEY'S AIRPORT



Airport Traffic Update

**Presented by:
Mark Kiehl**

SJC is Uniquely Located to Serve Silicon Valley

- 6 Miles/9.7 km**
1. Adobe Systems
 2. AMD
 3. Applied Materials
 4. Avaya
 5. Broadcom
 6. Brocade
 7. Cadence
 8. Cisco
 9. Citrix Systems
 10. Coherent
 11. Cypress Semiconductor
 12. Dell
 13. EMC
 14. Ericsson
 15. FireEye
 16. Hitachi Data Systems
 17. Intel
 18. Intuitive Surgical
 19. Marvell
 20. McAfee
 21. Netgear
 22. Nvidia
 23. Palo Alto Networks
 24. PayPal
 25. Samsung
 26. SanDisk
 27. Sanmina
 28. ServiceNow
 29. SunPower
 30. Super Micro Computer
 31. Synaptics
 32. Tata Consultancy
 33. Ultratech

- 12 Miles/19.3 km**
1. Agilent
 2. Apple
 3. Barracuda Networks
 4. eBay
 5. Fairchild
 6. Flex
 7. Global Foundries
 8. Google
 9. Juniper Networks
 10. KLA Tencor
 11. Lam Research
 12. LinkedIn
 13. Lockheed Martin
 14. Lumentum
 15. Microsoft
 16. NetApp
 17. Netflix
 18. Polycorn
 19. Silver Springs Networks
 20. Symantec
 21. Synopsys
 22. Tesla
 23. TiVo
 24. Trimble Navigation
 25. Xilinx
 26. Yahoo

- 25 Miles/40.3 km**
1. Facebook
 2. Hewlett-Packard
 3. Intuit
 4. Oracle
 5. SAP
 6. Synnex
 7. Varian Medical
 8. VMWare



Apple Employees: Residence Locations

60-70% of SV Company Employees Live in South Bay

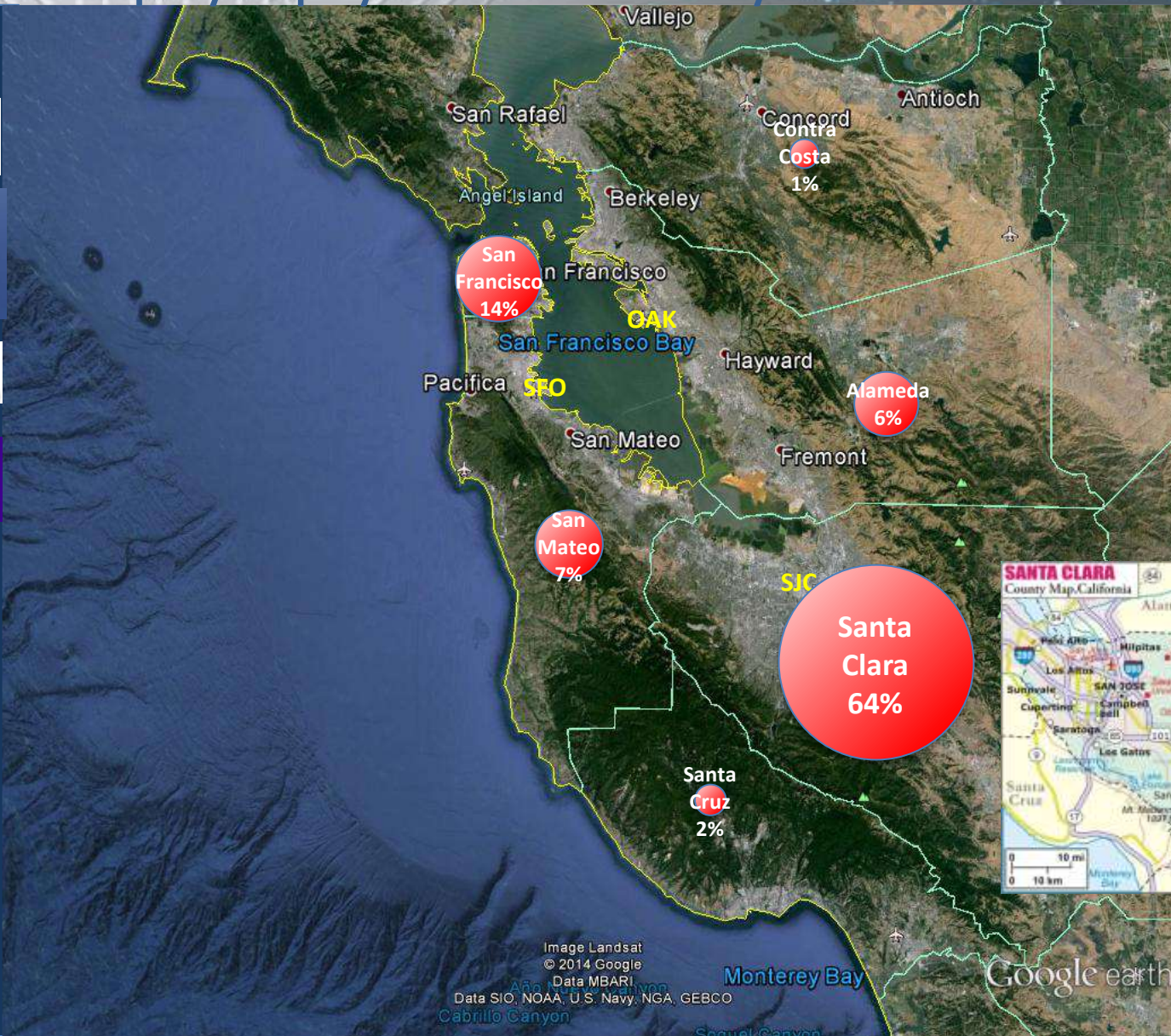


Image Landsat
© 2014 Google
Data MBARI
Data SIO, NOAA, U.S. Navy, NGA, GEBCO
Cabrilho Canyon
Sequel Canyon

Google earth

Apple Park “Spaceship” Campus Now Completed

\$5 Bil Expansion Net New Above Existing Cupertino HQ



Key Facts

- Additional facilities being built
- Work space for 13,000 employees
- 2.8 million square feet floor space
- 4.5 miles / 20 min drive from SJC

In Perspective

Diameter > Pentagon
Area – would hold Levi’s 49ers Stadium
Office Sq. Ft > Empire State Building

Google Village Downtown

San Jose Campus Plans

Location is 2 Miles South of SJC



GOOGLE'S AREAS OF INTEREST

Map shows properties whose purchases will be negotiated between the city and Google, and properties that have been bought by surrogates of Google for a proposed tech campus for the search giant.



- Properties bought between mid-December 2016 and June 25, 2017
- Government properties whose sales are being negotiated
- Most recent property sales

Source: Santa Clara County property records
BAY AREA NEWS GROUP



20,000 employee development in planning phases

A combination of downtown San Jose parcels (enough for a mega-campus) has been acquired since late 2016 for over \$135M. Planning for housing, retail, restaurants, open garden spaces.

Site is also major transit hub for the region.



Adobe Systems' Downtown San Jose Headquarters

Example of "Google Village Effect"



Adobe:

Planning to dramatically expand its
headquarters complex

4th office tower could accommodate
3,000 more employees



Other Unique SV Campus Designs



FACEBOOK – Menlo Park
9 Acre Green Roof Design



APPLE - Sunnyvale
Tiered Design with Green Space Focus



NVIDIA – Santa Clara
Design Focus on Collaboration



GOOGLE – Mountain View
Green-Futurist Design

Fremont Warm Springs Development

Factory is 8 Miles North of SJC



TESLA AUTO FACTORY (Existing)
BART (Subway) Station Opened March 2017
COMMUNITY PLANS:
20,000 Jobs
4,000+ New Residential Units



\$6.5 Billion City Place Project To Move Forward

Golf Course Site Across From 49ers' Levi's Stadium



Development details:

- **9.2 million** square feet (855,000 sq m) of retail, entertainment, office, and residential space
- **700** hotel rooms and **1,360** residential units, 24,000 jobs
- **3 miles north of SJC Airport**, with light rail access



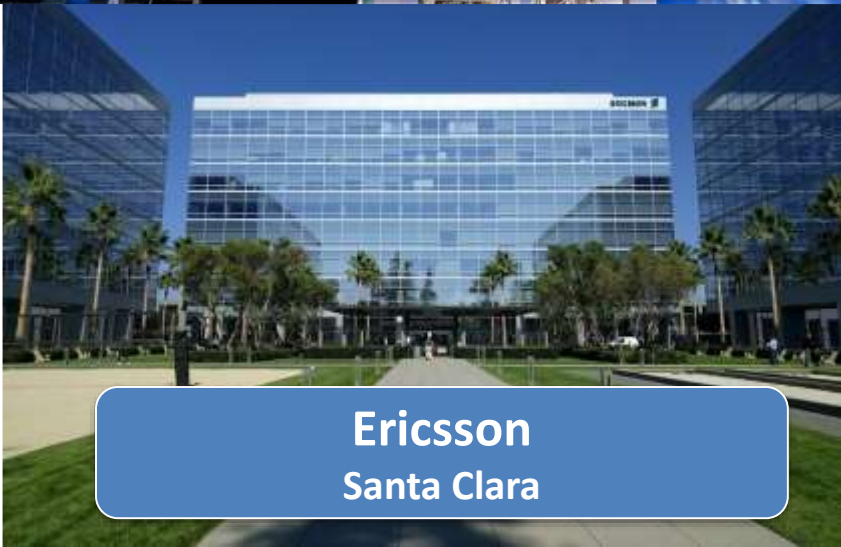
Nearby Presence of Other Key Companies

Not HQs, But Large Silicon Valley Presence



Samsung
North San Jose

Dell
Santa Clara



Ericsson
Santa Clara

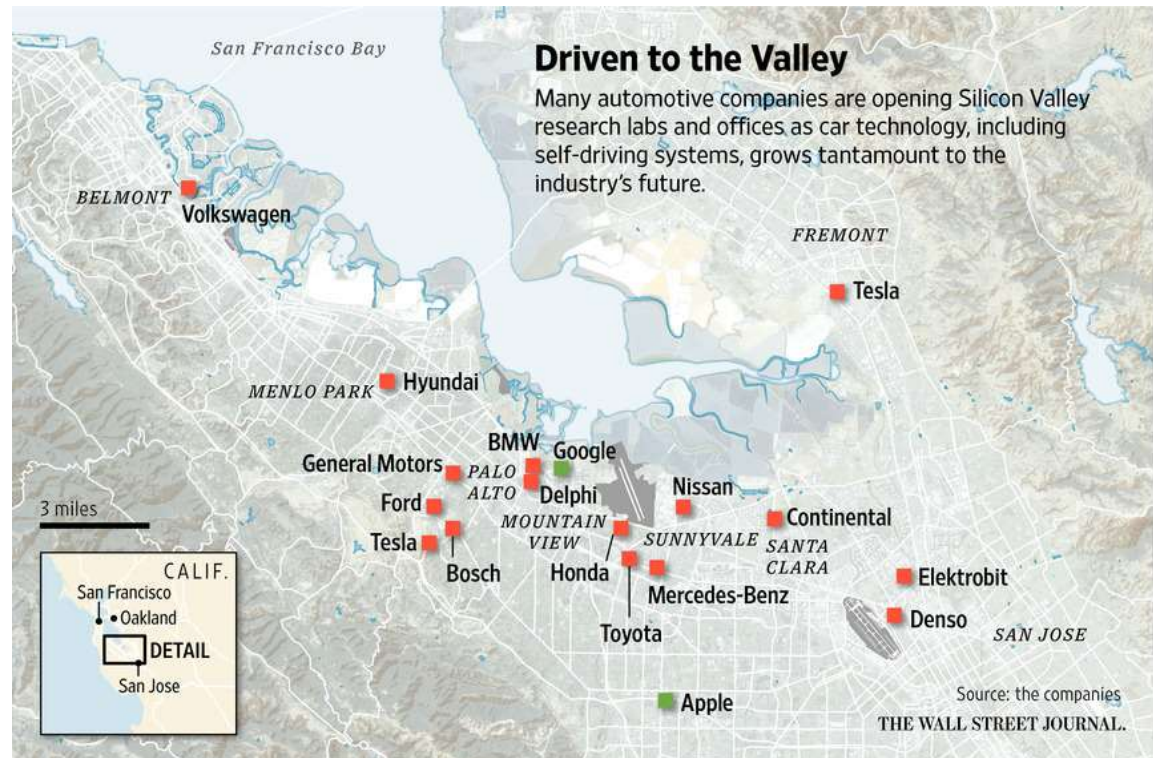


Toshiba America
North San Jose

Porsche Digital joins the world's automotive leaders in establishing Silicon Valley presence.



- Traditional automotive suppliers and producers like Bosch, Delphi, Ford, BMW, Daimler, VW, Nissan and Toyota have R&D offices in Silicon Valley
- Big San Jose local chip designers like Nvidia are now major automotive chip suppliers
- 24% of new MB S550 value (\$94,000) is for software (\$23,000)



“The car is the ultimate mobile device of the future, and the future is being written in Silicon Valley.”

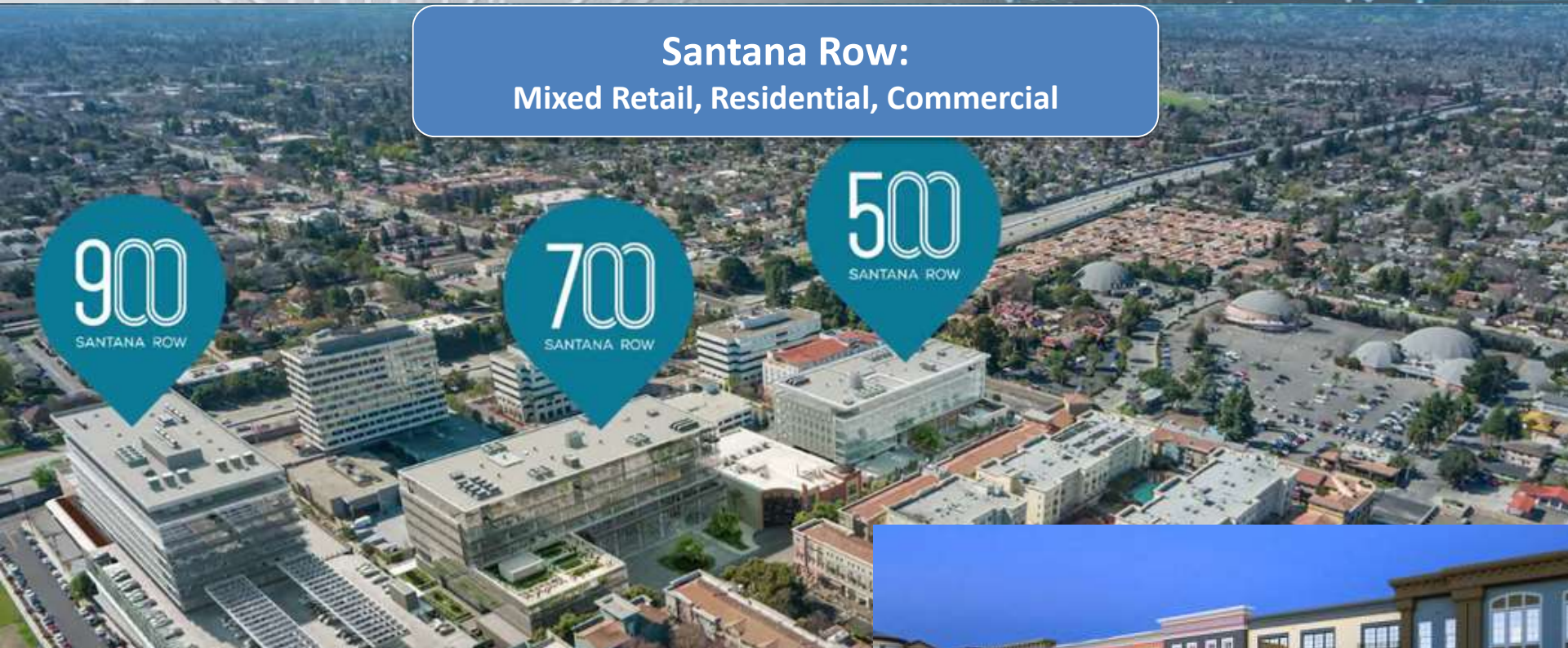
Thilo Koslowski, Porsche Digital (May 2017)

Residential/Retail/ Office Developments

10 Minutes from SJC



Santana Row:
Mixed Retail, Residential, Commercial



Levi's and Avaya Stadiums: Franchise Investments



Levi's Stadium:
2014 \$1.3 billion home of 49ers
(2 miles north of SJC)



Avaya Stadium:
\$100 million home of MLS
San Jose Earthquakes
(across street from SJC)

Tourism: Monterey, Carmel and Pebble Beach

Best Access Via SJC



Economy That Translates Into Passenger Demand

3 Years of 1+ Million New Passengers |
65+ Consecutive Months of Growth



Development: 18 million sq feet built last 3 yrs;
greater than previous 13 total

Innovation: #1 Patent market in U.S.

Tech Industry: Highly diversified, continues to
expand

Education: 51% Bachelor's/Graduate
Degrees (1.6x U.S.)

Employment: +19% vs. Bay Area 2001 peak

Income: \$110,373 Silicon Valley Median
Household Income (1.9x U.S.)

Foreign Born: 38% of population (2.8x U.S.)

Calendar Year	Passengers (Millions)	Year-Year	Cumulative Increase
2013	8.80		
2014	9.40	0.60	0.60
2015	9.80	0.40	1.00
2016	10.80	1.00	2.00
2017	12.50	1.70	3.70
2018E	14.20	1.70	5.40

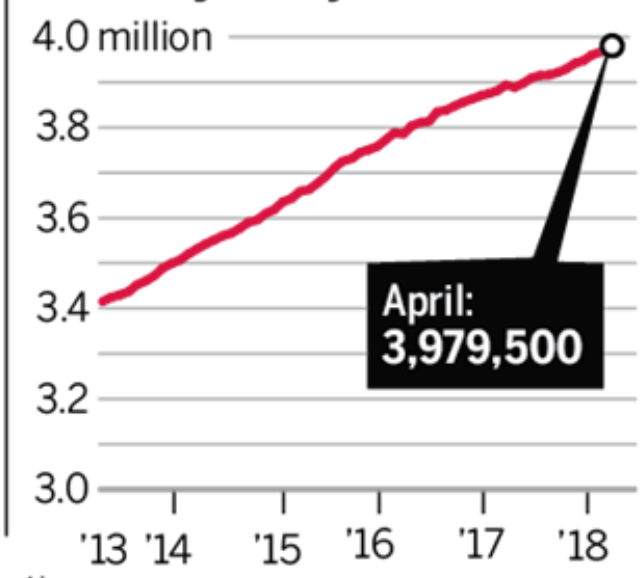
Interim Facility



Employment Growth: Now 19% Above 2000 Peak Bay Area Data Through April 2018



Total Bay Area jobs



Jobs Gained Last 12 Months

South Bay	37,700	43%
East Bay	19,100	22%
San Fran/San Mateo	22,900	26%
Other	7,000	8%
Bay Area Totals	86,700	100%

Significant numbers of SF Peninsula employees actually reside in the South Bay region.

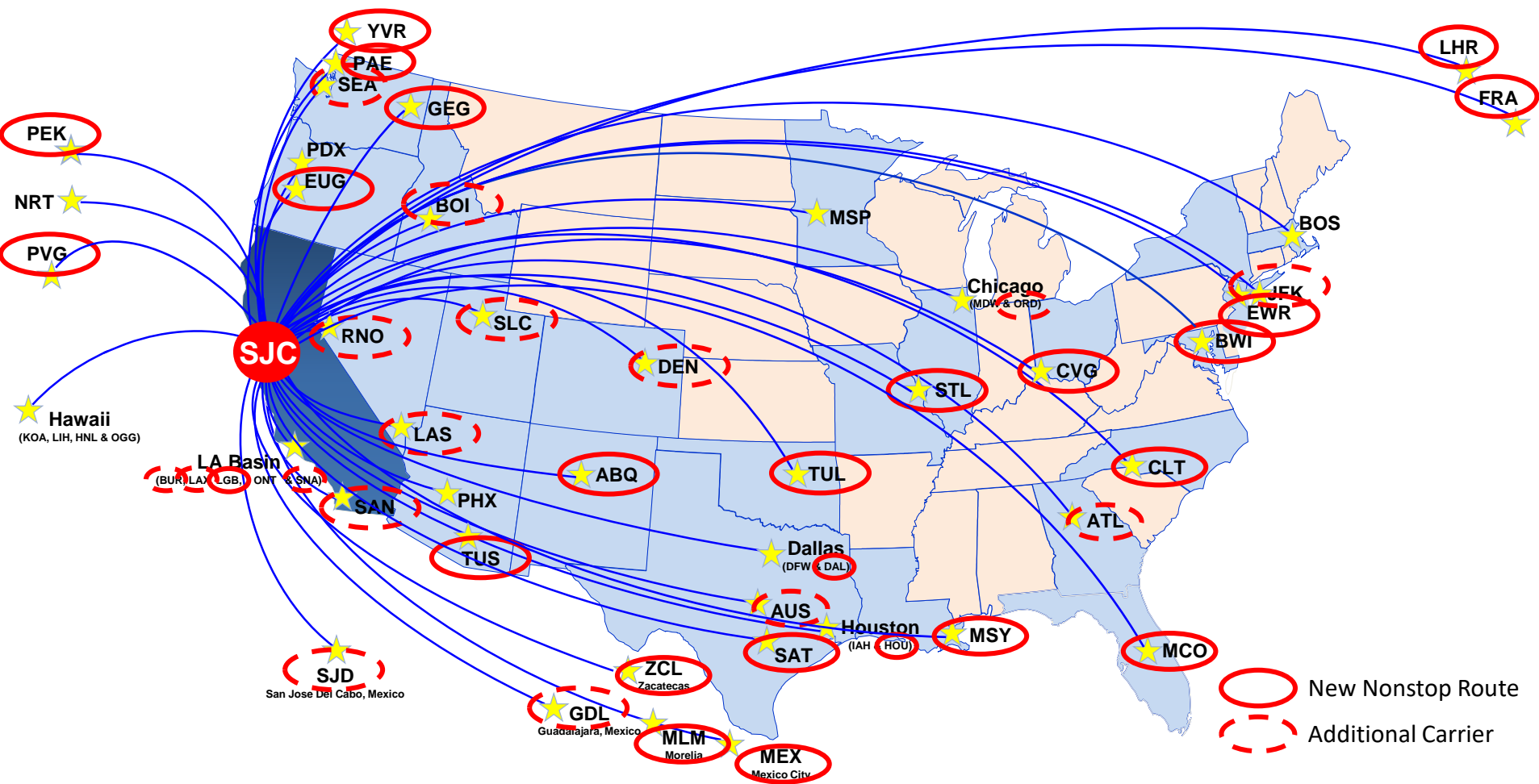
SJC – All Recent and Announced Airline Additions



New International Routes (8)	New Domestic Routes (17)	Newly Competitive Routes (15)	Added Competition or Capacity (9)
Beijing, China	Albuquerque (1x/wk)	Atlanta	Atlanta
Frankfurt, Germany	Baltimore-Washington	Austin	Austin
London, UK	Charlotte (seasonal)	Boise	Chicago Midway
Mexico City	Cincinnati	Burbank	Dallas-Ft. Worth
Morelia, Mexico	Dallas Love	Chicago O'Hare	Denver
Shanghai, China	Eugene	Dallas Love	Guadalajara
Vancouver, Canada	Everett/Paine Field	Las Vegas	Las Vegas
Zacatecas, Mexico	Houston Hobby	New York JFK	Los Angeles
	Long Beach	Newark/NY	Salt Lake City
	New Orleans (1x/wk)	Orange County	
	Newark/NY	Reno	
	Orlando	Salt Lake City	
	St. Louis	San Diego	
	San Antonio	San Jose del Cabo (1x/wk)	
	Spokane	Tucson	
	Tucson		
	Tulsa		

SJC ranked #1 among U.S. Top 50 major airports for rate of year-year seat capacity growth for 2016-2017 and remains Top 3 again for CY 2018.

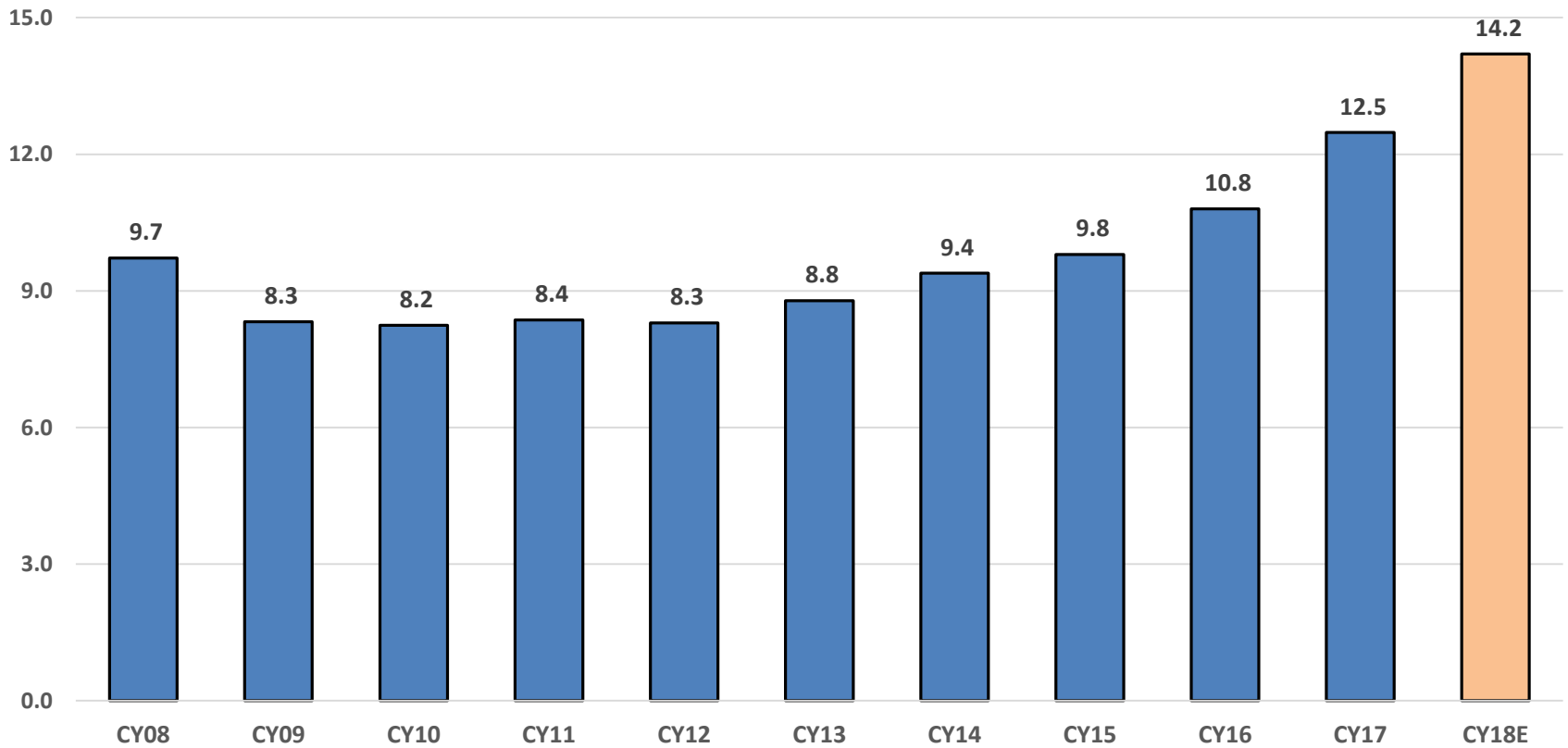
SJC Nonstop Route Map (with added services)



Passenger Growth



SJC Annual Passengers
(millions)



SILICON VALLEY'S AIRPORT



Industry Conference

Presented by:
Drake Beaton

Disclaimer

- This is an informational meeting only, designed to allow for feedback of the proposed concession RFP
- The Airport will take all recommendations under advisement, but makes no guarantee as to the inclusion of such requested changes to the proposed RFP's structure or content
- Not all content that will be included in the RFP will be reviewed today
- Any information included in this presentation is subject to change, and operators should use the RFP instructions when preparing their response

Purpose of Today's Meeting



To provide an opportunity to preview and comment on the proposed food and beverage request for proposal (RFP) structure and proposed lease terms

Rules of engagement:

- Be respectful of other's comments
- One at a time, and please provide us enough time to take notes
- Mics will be available so please raise your hand and we will bring the mic to you
- **BUZZWORD: INCLUSION**

Concession Program Desires



- Promote City of San Jose and Silicon Valley
- Encourage participation of any and all interested parties
- Achieve a mix of local, regional and national concepts that best serve the general traveling public
 - Concepts and service that provide a positive experience for our passengers and drive revenues
- Incorporate the latest technology that reflects the nature of Silicon Valley

Food and Beverage Packages

(subject to change)

14 Total locations with 1 potential additional location

- 17,758* sq.ft. (including 15th potential location)
- Total CY 2017 sales were \$21.7M
- SPE CY 2017 \$3.74
- Current CY 2018 +20.1%
 - Annualized to \$26.3M
- See sales sheet for individual location sales

(CY 2017)

* Approximate Square Footage

Food and Beverage Packages

(subject to change)

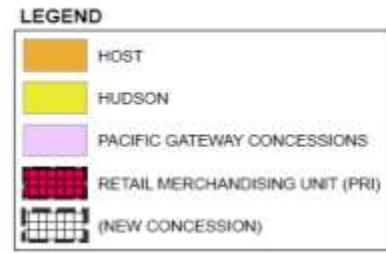
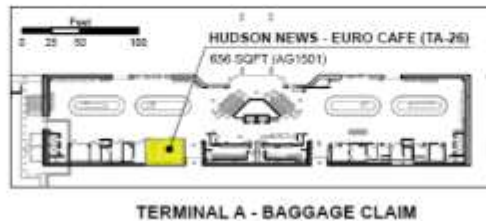
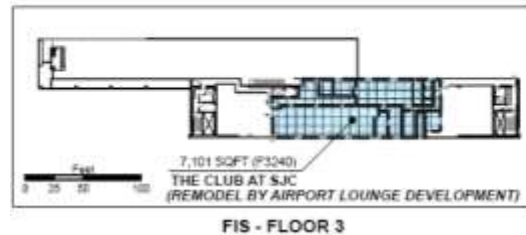
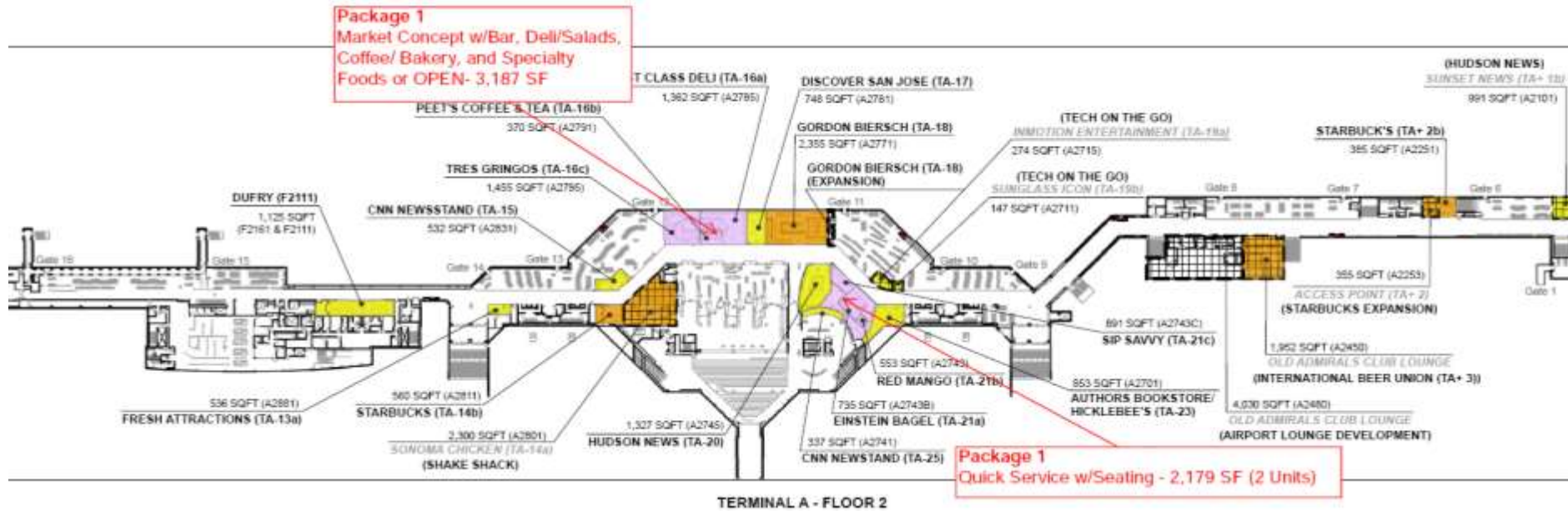
14 Total locations with 1 potential additional location

- 17,758* sq.ft (including 15th potential location)
- Total Sales \$21.7M (CY 2017)
- SPE \$3.74 (CY 2017)
- Package #1—Prime package
 - 12-13 locations
 - 15,738* sq.ft.
 - Total Sales \$18.76M (CY 2017)
 - SPE \$3.02 (CY 2017)
- Package #2—Individual Medium Sized Package
 - 1 location
 - 1,151* sq.ft.
 - Total Sales 1.11M (CY 2017)
 - SPE \$0.27 (CY 2017)
- Package #3—Individual Small Sized Package
 - 1 location
 - 896* sq.ft.
 - Total Sales 1.8M (CY 2017)
 - SPE \$0.45 (CY 2017)

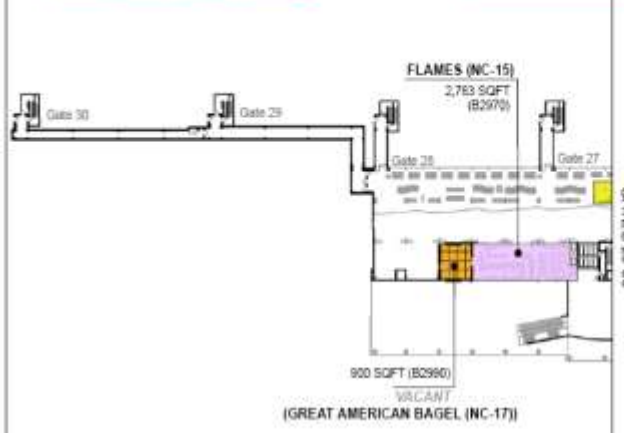
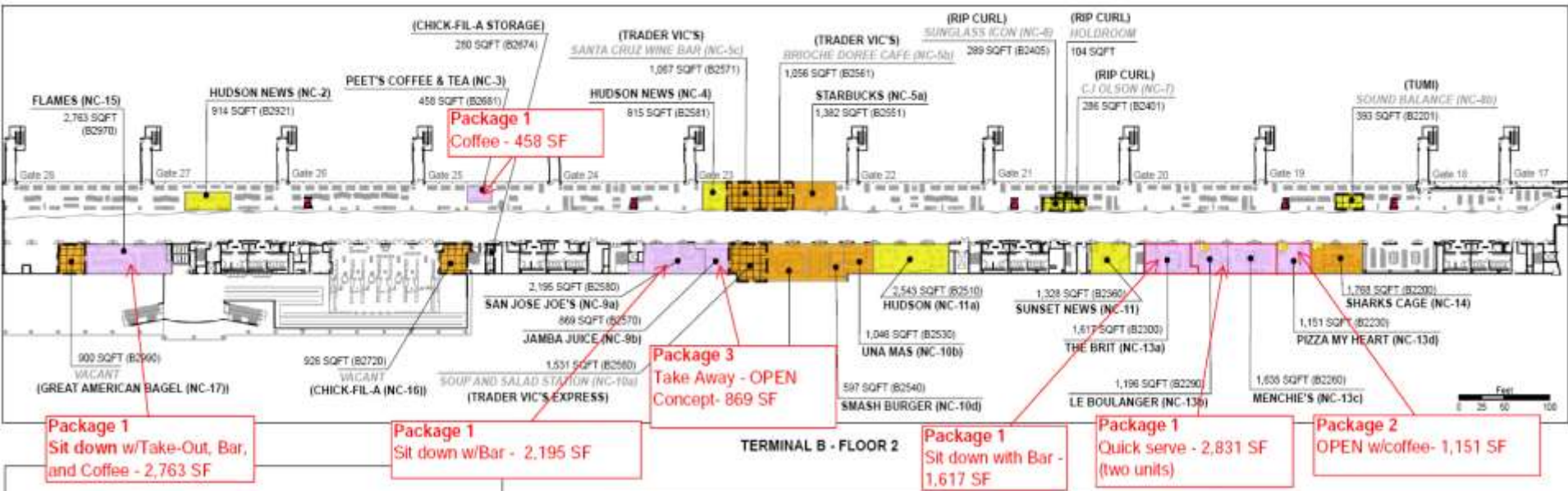
All operators are welcome to bid on any package that they meet the minimum qualifications

* Approximate Square Footage

Proposed Concepts Terminal A



Proposed Concepts Terminal B



LEGEND

- HOST
- HUDSON
- PACIFIC GATEWAY CONCESSIONS
- RETAIL MERCHANDISING UNIT (PRI)
- (NEW CONCESSION)

Terminal A- 2017 CY Checkpoint Sales

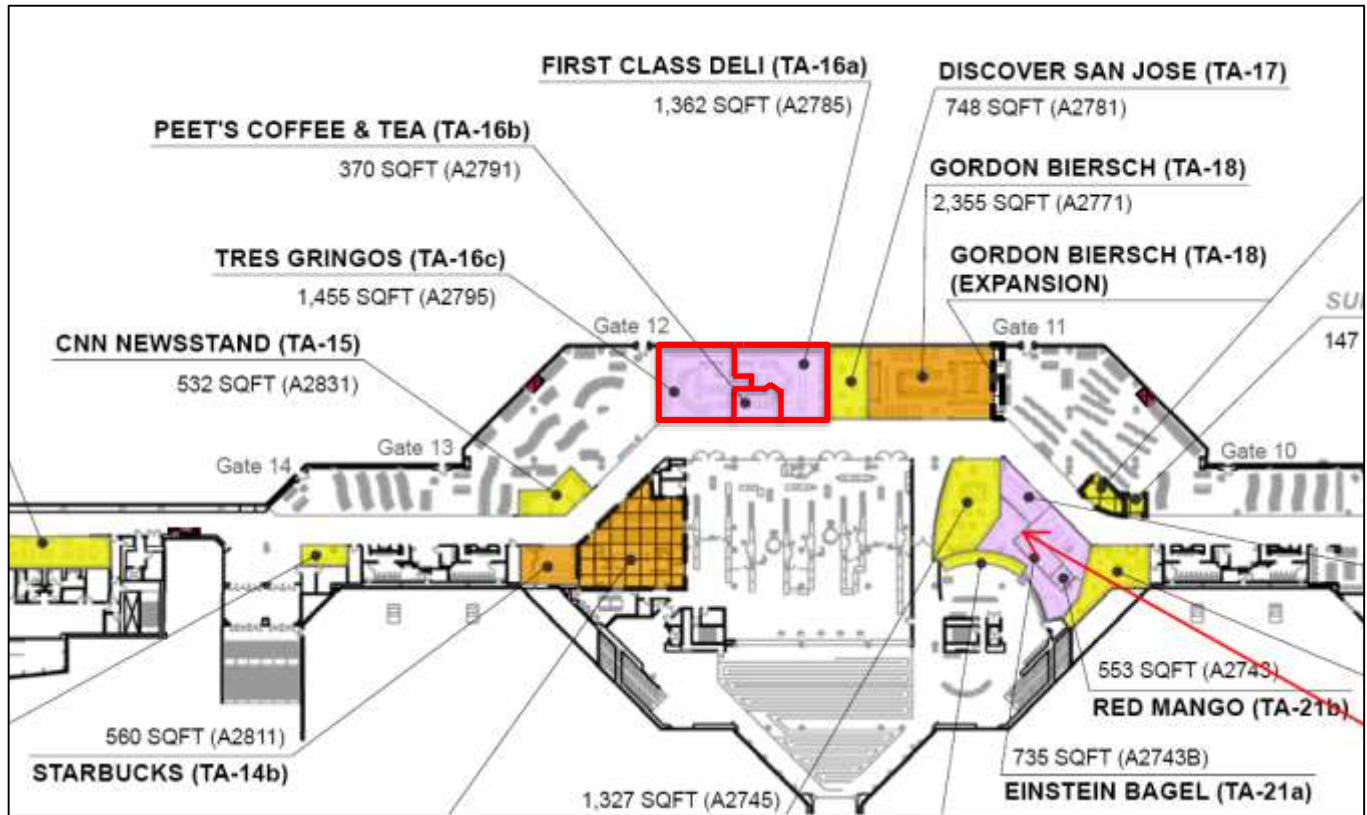


- First Class Deli
 - \$1.192M
 - \$0.55 SPE
- Peet's Coffee
 - \$1.014M
 - \$0.46 SPE
- Tres Gringos
 - \$1.704M
 - \$0.78 SPE

Total- \$3.910M

3,187 sq.ft
\$1227s/sf

\$1.79 SPE



Terminal A- 2017 CY Checkpoint Sales

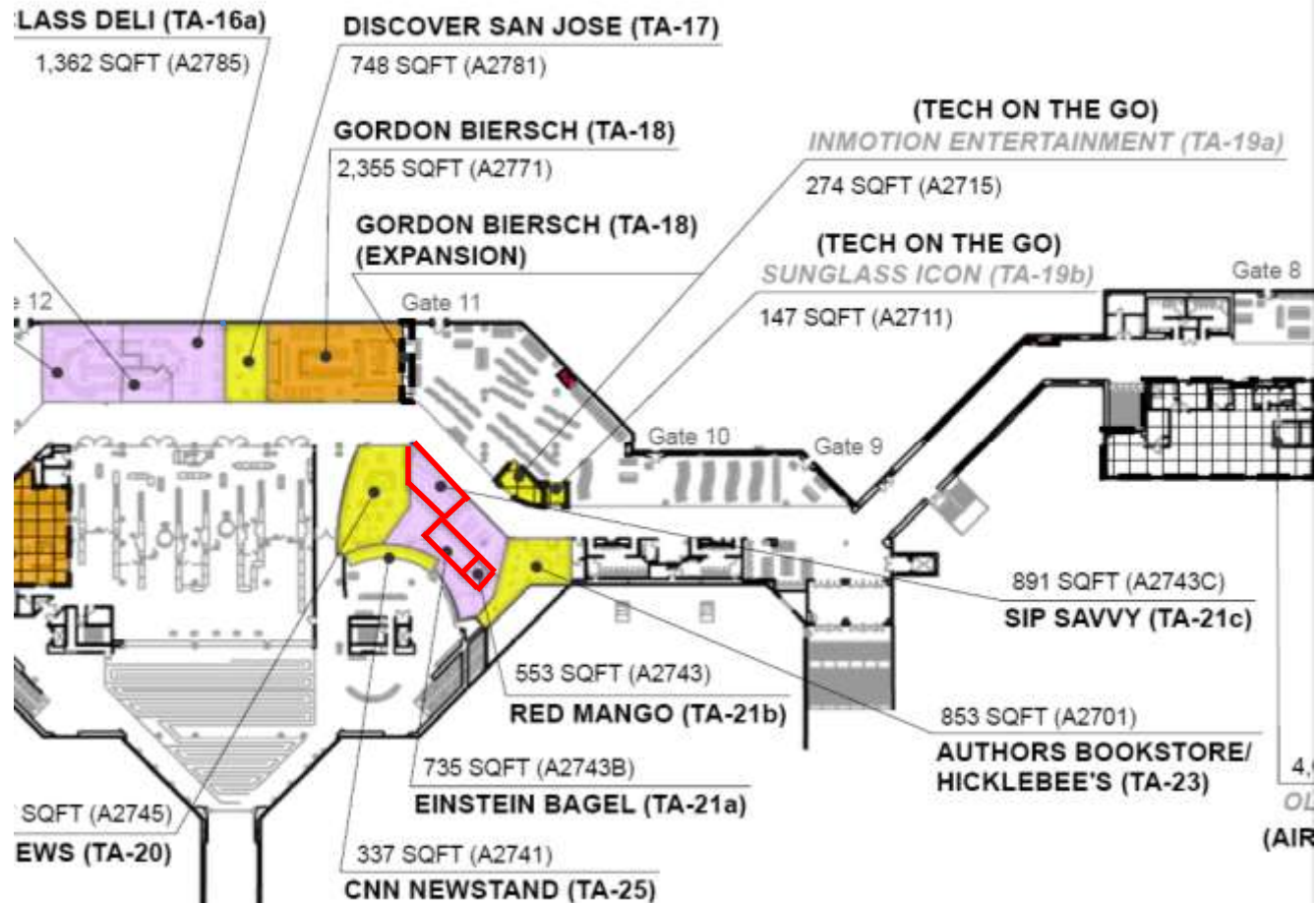


- Sip Savvy
 - \$251K
 - \$0.11 SPE
- Red Mango
 - \$166K
 - \$0.07 SPE
- Einstein Bagel
 - \$1.510M
 - \$0.69 SPE

Total- \$1.928

2,179 sq.ft
\$884 s/sf

\$0.88 SPE



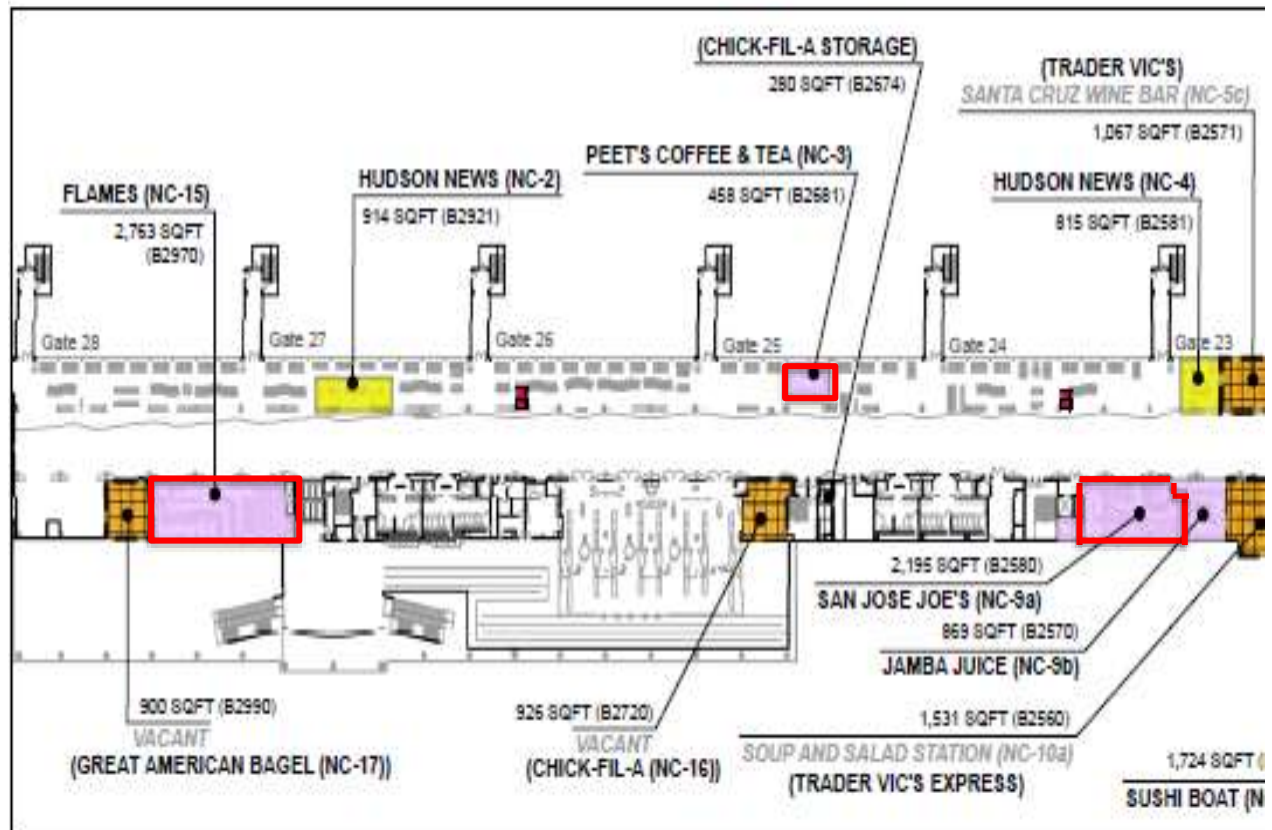
Terminal B- 2017 CY Checkpoint Sales



- Flames
 - \$ 2.325M
 - \$0.58 SPE
- Peets Coffee & Tea
 - \$1.959M
 - \$0.49 SPE
- San Jose Joe's
 - \$4.466M
 - \$1.11 SPE

Total- \$8.75M

5416 sq.ft
\$1615 s/sf
\$2.17 SPE



Terminal B- 2017 CY Checkpoint Sales



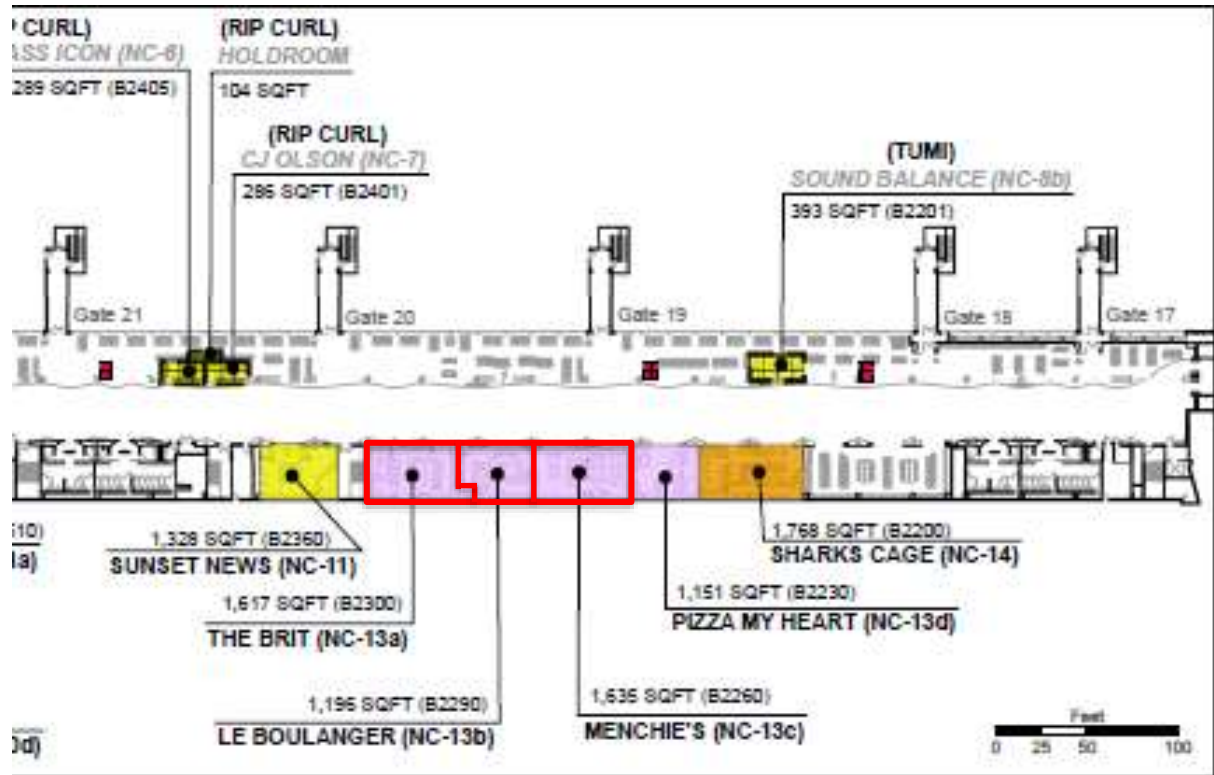
- The Brit
 - \$ 2.657M
 - \$0.66 SPE
- Le Boulanger
 - \$1.280M
 - \$.032 SPE
- Menchie's
 - \$234K
 - \$0.06 SPE

Total- \$4.171M

4,448 sq.ft

\$938 s/sf

\$1.03 SPE

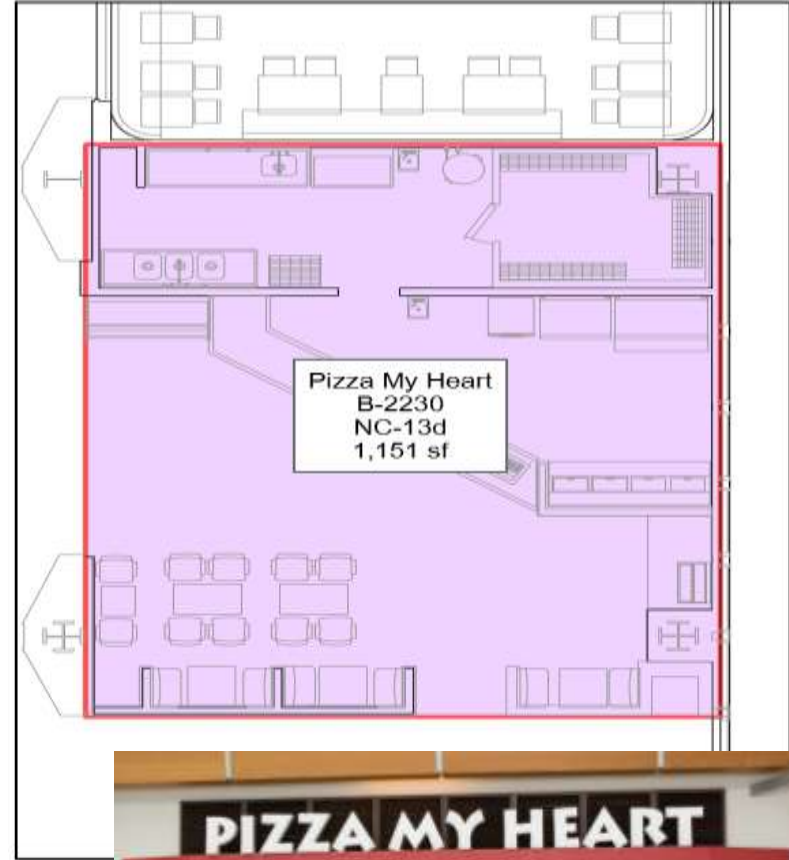


Package #2 Medium Sized Individual Location

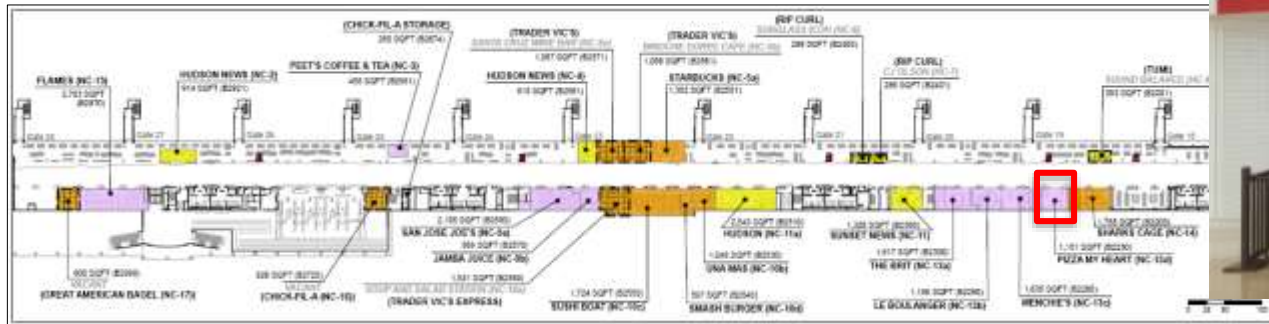
Lease Location # NC-13d



- Terminal B, post security
- 1,151 SF
- \$1.11M Sales, CY 2017
- \$0.27 SPE, CY 2017



Terminal B-Key



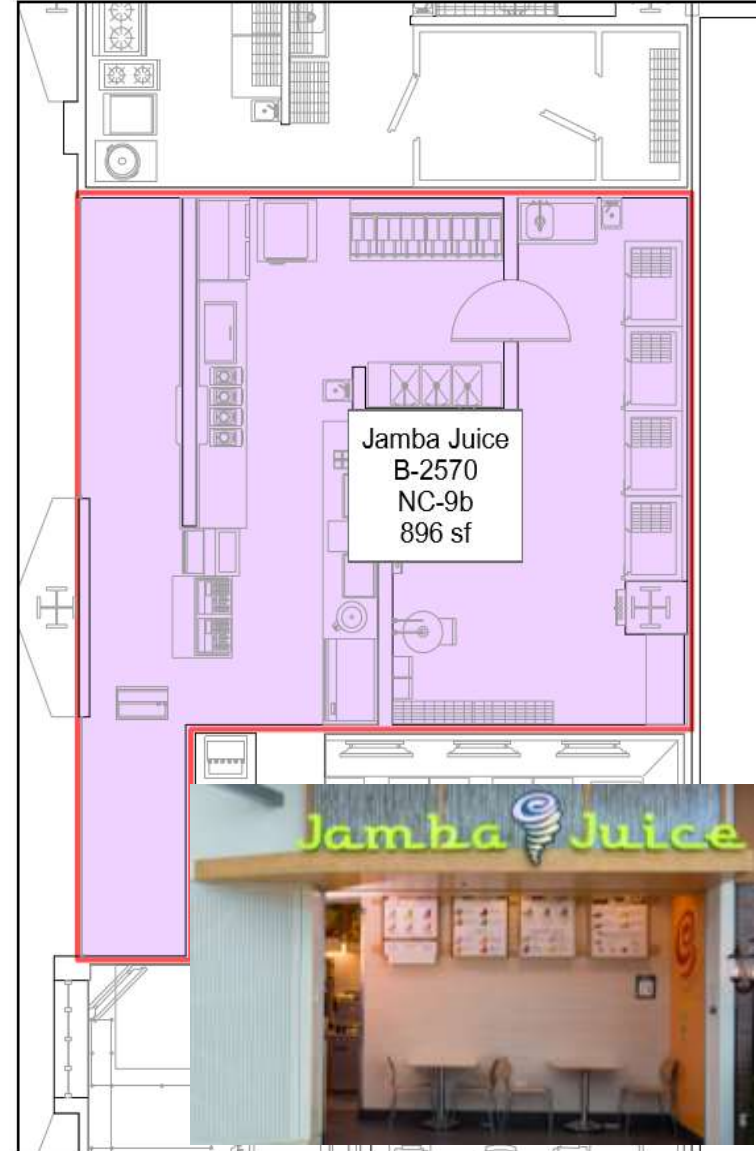
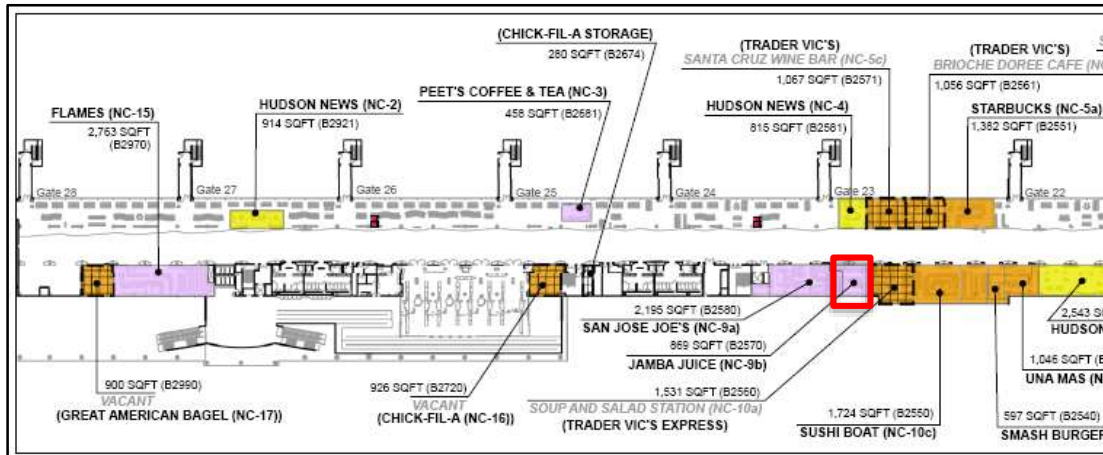
Package #3 Small Sized Individual Location

Lease Location # NC-9b



- Terminal B, post security
- 896 SF
- \$1.8M Sales, CY 2017
- \$0.45 SPE, CY 2017

Terminal B-Key



Concept Needs

- Please review sales sheets for current concepts to determine category needs
- It is up to the individual operator to determine what concept mix should be included in their package(s) of space
 - Justification, including a pro forma for highest and best use will be required
 - Local, national and regional
 - No less than the current number of bars generally to remain in their current location, but adult beverage sales can be added where ABC laws can be met
 - The City reserves right to negotiate final concepts due to individual packages
- The airport reserves the right to negotiate final concepts based on the selection of the individual packages of space
- ALL concepts must address all day-parts

San Jose International Airport

Expected Business Terms



- Lease Term
 - Expected to be 10-years, with an option to extend by four years upon mutual agreement
- Rent Structure (greater of)
 - Percent rent to be proposed at a straight-line rate for all goods and services
 - Minimum Annual Guarantee (MAG)
 - Minimum initial year MAG will be set forth in the RFP document
 - MAGs in succeeding years will be adjusted annually and set at the higher of 85% of previous year's total concessions fees paid or the previous year's MAG
 - As part of the evaluation criteria, propose a rent evaluation in conjunction with gross sales

San Jose International Airport

Expected Business Terms



- Capital Investment
 - Tenant improvement requirements: Potentially \$500 - \$750 per square foot minimums
 - Mid-term refurbishment expected to be a minimum of 15% of proposed total capital investment
 - To happen after the 5th anniversary of beginning operation in their first concept
 - All new units

Transition Plan



- Proposer must provide a transition plan
- Currently, it is expected that the winning Proposer would take over operations on July 1, 2020 at 12 am
- The airport may or may not allow select concessions to close for construction on July 1st

SILICON VALLEY'S AIRPORT



The RFP
Process

RFP Process

- Timeline included in the presentation
- Traditional RFP process
- Evaluation panel will not be established until
AFTER the release of the RFP

RFP Process Timeline



RFP
Release

Fall 2018

Award

Spring 2019

Design
Begins

Summer 2019

Takeover

Summer/Fall 2020

The RFP will be released on BidSync. Any and all communication will be processed through BidSync only

<https://www.periscopeholdings.com/bidsync/>

Additional Information



- Mandatory pre-proposal conference will be conducted, and will include tour
 - No more than four (4) participants for the tour will be allowed
- All modifications to the RFP will be made via written addendum
- This will be a non-exclusive right to develop concessions at the airport
- Winning Proposer is required to hire current employees for a period of not less than 90 days

ACDBE Requirements



- Race Neutral, therefore no requirements on meeting ACDBE Goals
- Current goal is 10.64%

Minimum Qualifications for Prime Package

At least five (5) consecutive years within the past ten (10) years in all of the following:

Development, design, construction, operation, and leasing and management of two (2) or more multi-unit food and beverage commercial ventures in an airport or similarly busy environment generating at least \$15 million in annual gross sales

Packages of Space— Contingency Bids



- Contingency Bids will be allowed only for Packages 2 and 3; this means that you may propose on those spaces, but you can opt out of award if you do not win the Prime Package
- No contingency bids will be accepted for the Prime Package whatsoever, and your proposal will be returned unevaluated as non-responsive should you propose as such
- Must bid for each package individually

Maintenance Plan



- The selected operator will be required to pay a pro-rata share of a maintenance consortium
 - New program expected to roll out in Q2 2019
 - Fees have not yet been estimated
 - Maintenance work expected to include:
 - Minimum quarterly hood cleaning
 - Minimum quarterly clean-out of grease traps/lines
 - On call maintenance service
 - Routine maintenance, such as trash and table cleaning, are the responsibility of the Operator
 - Other items as needed

Cone of Silence



- Communication is **STRICTLY** prohibited between the Proposer/ vendor and ANY city employee, including all Airport Senior Staff and City of San Jose Council members. The cone will be lifted when the Director of Aviation provides his written recommendation of selection to the City Council.
- Should the Council refer the matter back to the Director and/or staff for further review, the cone shall be re-imposed.
- The cone of silence does not apply to oral communications at pre-bid conferences, oral presentations before selection committees, contract negotiations during any duly noticed public meeting, public presentations made to City Council during any duly noticed public meeting or communications in writing at any time with any City employee, official or member of the City Council unless specifically prohibited by the applicable RFP.
- Should this provision be violated, the Proposer will be immediately disqualified from the bid process, or the award shall be voided.

Evaluation Criteria

- Evaluations of submitted proposals are likely to include the following categories (in alphabetical order)
 - Capital Investment
 - Concessions Plan
 - Experience and Qualifications
 - Facilities Design and Construction
 - Includes transition plan
 - Financials
 - Marketing and Management Plan
 - Operations Plan
 - Includes customer service, City public policy issue, and transition plan
 - Revenue (rent to airport)

Point values per category have not been determined at this time

Next Steps

- Tour tomorrow at 1:00pm
- Provide any written commentary to concessionsRFP@sjc.org
 - Requested within 30-calendar days

Contact Information



concessionsRFP@sjc.org

Norman Y. Mineta San Jose International Airport
1701 Airport Blvd., Suite B-1130
San Jose, CA 95110-1206

*All updates will be posted to the website
<https://www.flysanjose.com/RFP2018>