

SILICON VALLEY'S AIRPORT



**Food and Beverage Outreach
at San Jose Airport
July 24 & 25, 2018**

SILICON VALLEY'S AIRPORT



Introductions

Presented by:
Kim Hawk

Introduction



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

Courtesy



- Please silence all cell phones
- Hold questions until the Q&A at the end



Disclaimer



- This is an informational meeting only, designed to allow for feedback of the proposed concession RFP
- 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 present an opportunity for an exciting food and beverage concession program that enhances the look and feel of Silicon Valley's Airport.

BUZZWORD: INCLUSION

City of San Jose



Source: <http://www.hccsv.org/>

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. Polycom
 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
Cabrillo Canyon
Sequoia 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

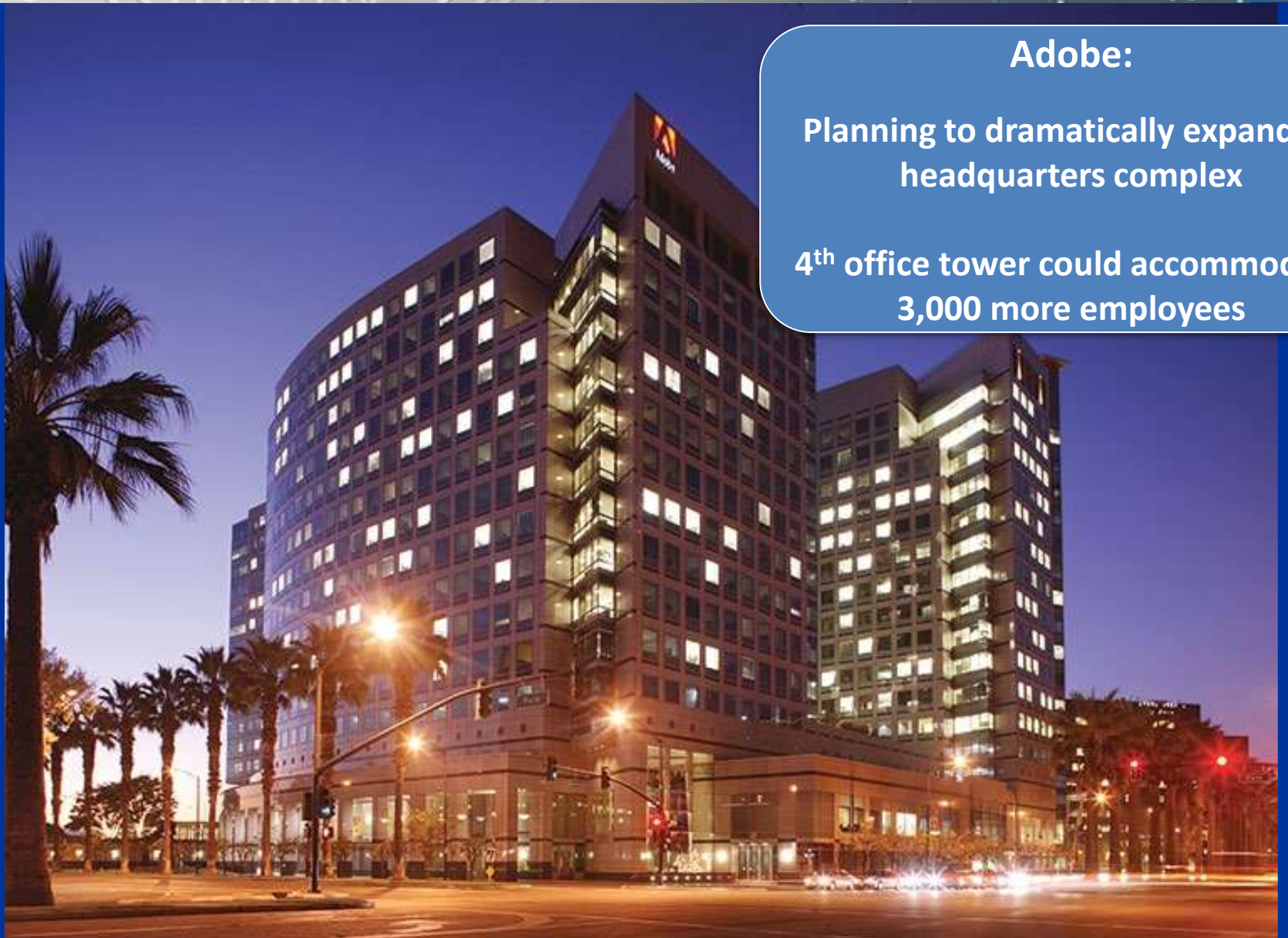
Example of "Google Village Effect"



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

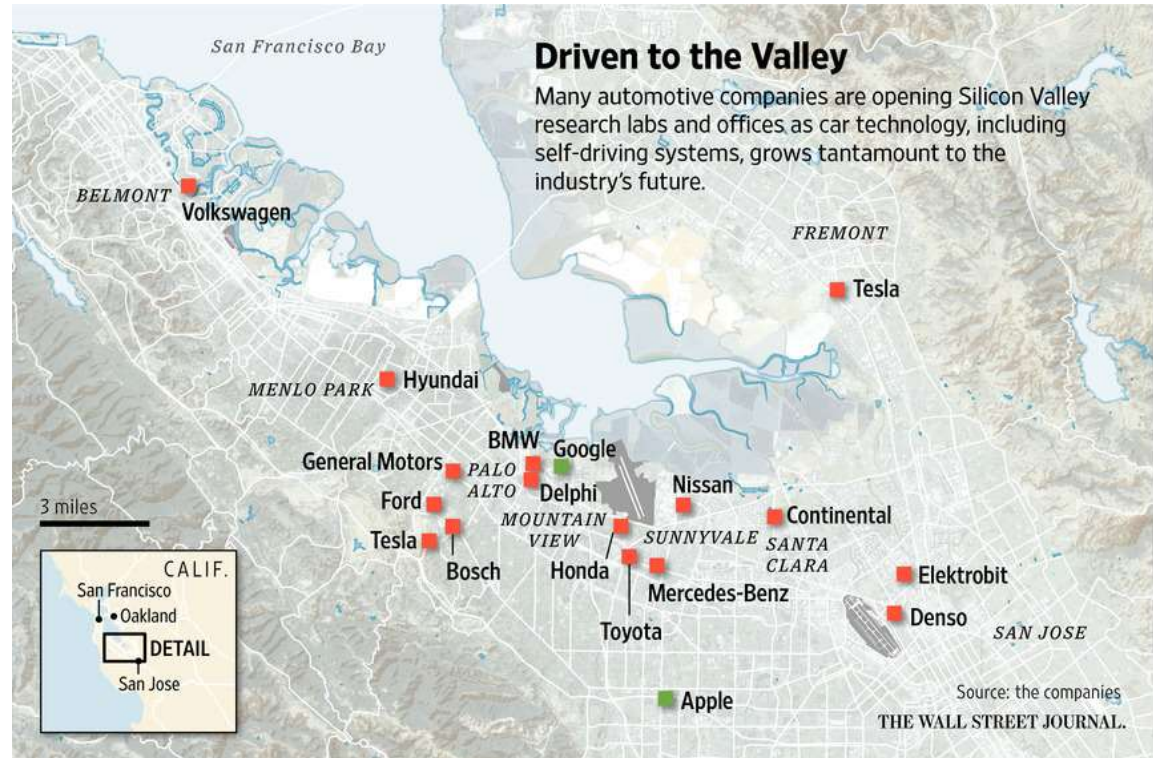


Toshiba America
North San Jose

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.”

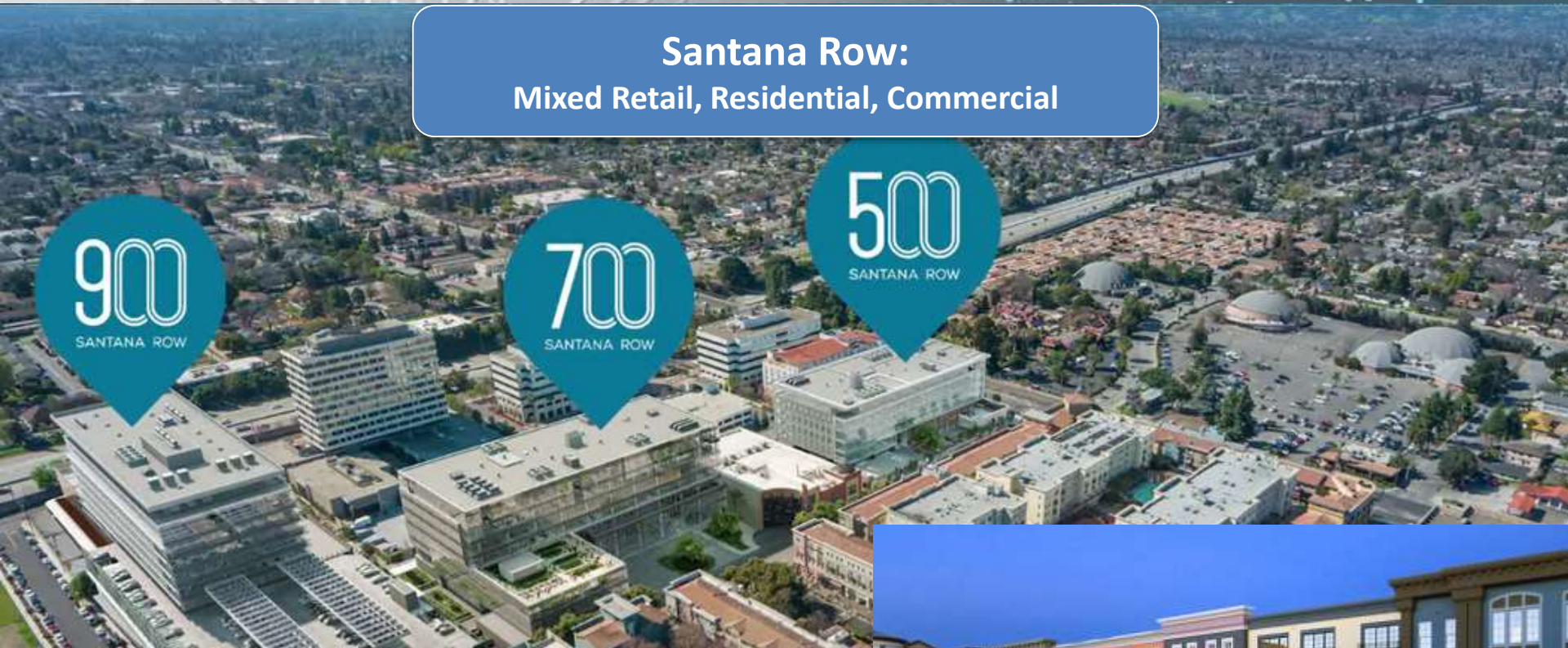
Thilo Koslowski, Porsche Digital (May 2017)

Residential/Retail/Office Developments

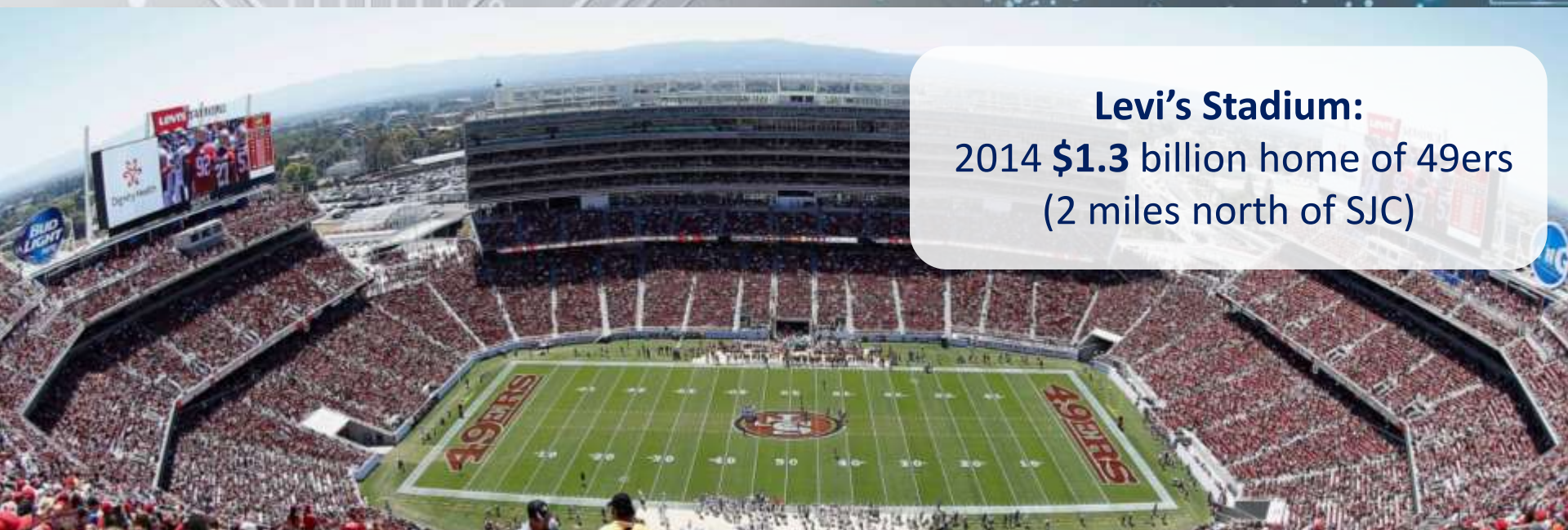
10 Minutes from SJC



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.)

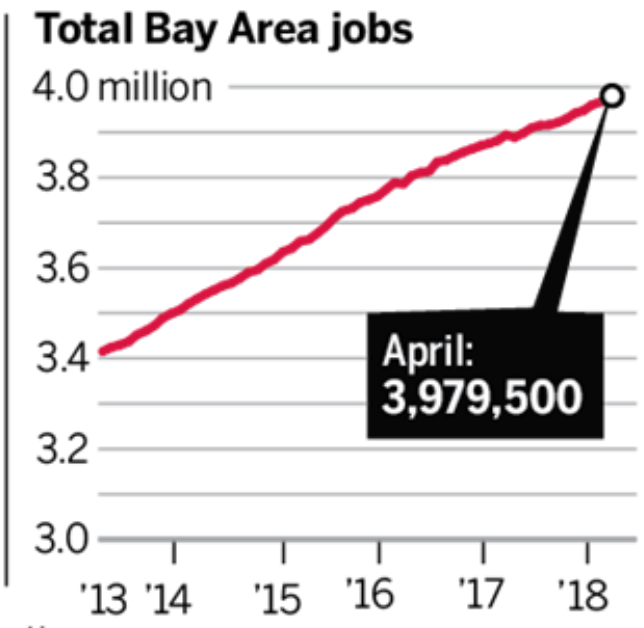
Calendar Year	Passengers (Millions)	Year-Year	Cumulative Increase
2013	8.80		
2014	9.40	0.60	0.60
2015	9.80	0.40	1.00
2016	10.80	1.00	2.00
2017	12.50	1.70	3.70
2018E	14.20	1.70	5.40

Interim Facility



Employment Growth: Now 19% Above 2000 Peak

Bay Area Data Through April 2018



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

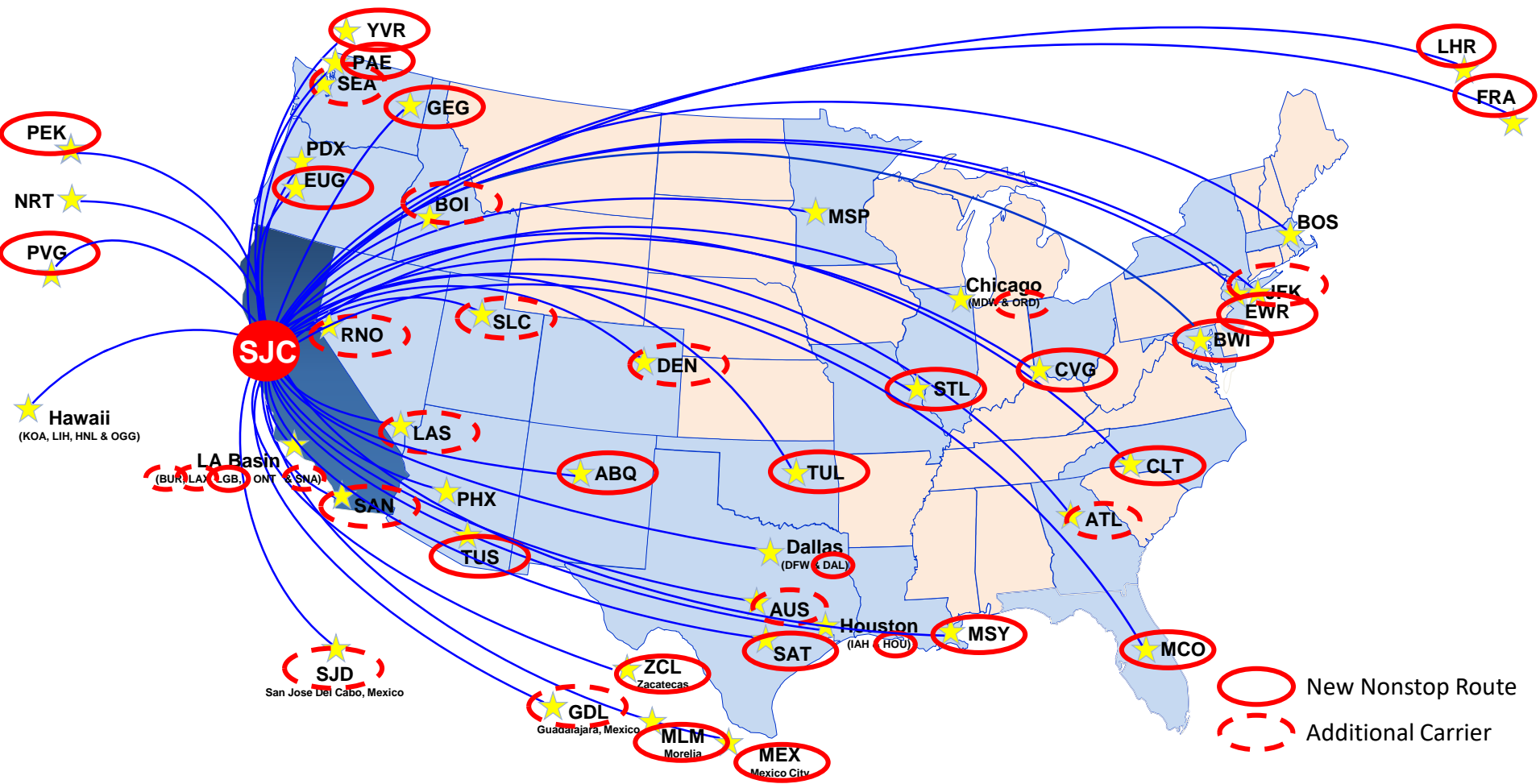


New International Routes (8)	New Domestic Routes (17)	Newly Competitive Routes (15)	Added Competition or Capacity (9)
Beijing, China	Albuquerque (1x/wk)	Atlanta	Atlanta
Frankfurt, Germany	Baltimore-Washington	Austin	Austin
London, UK	Charlotte (seasonal)	Boise	Chicago Midway
Mexico City	Cincinnati	Burbank	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.

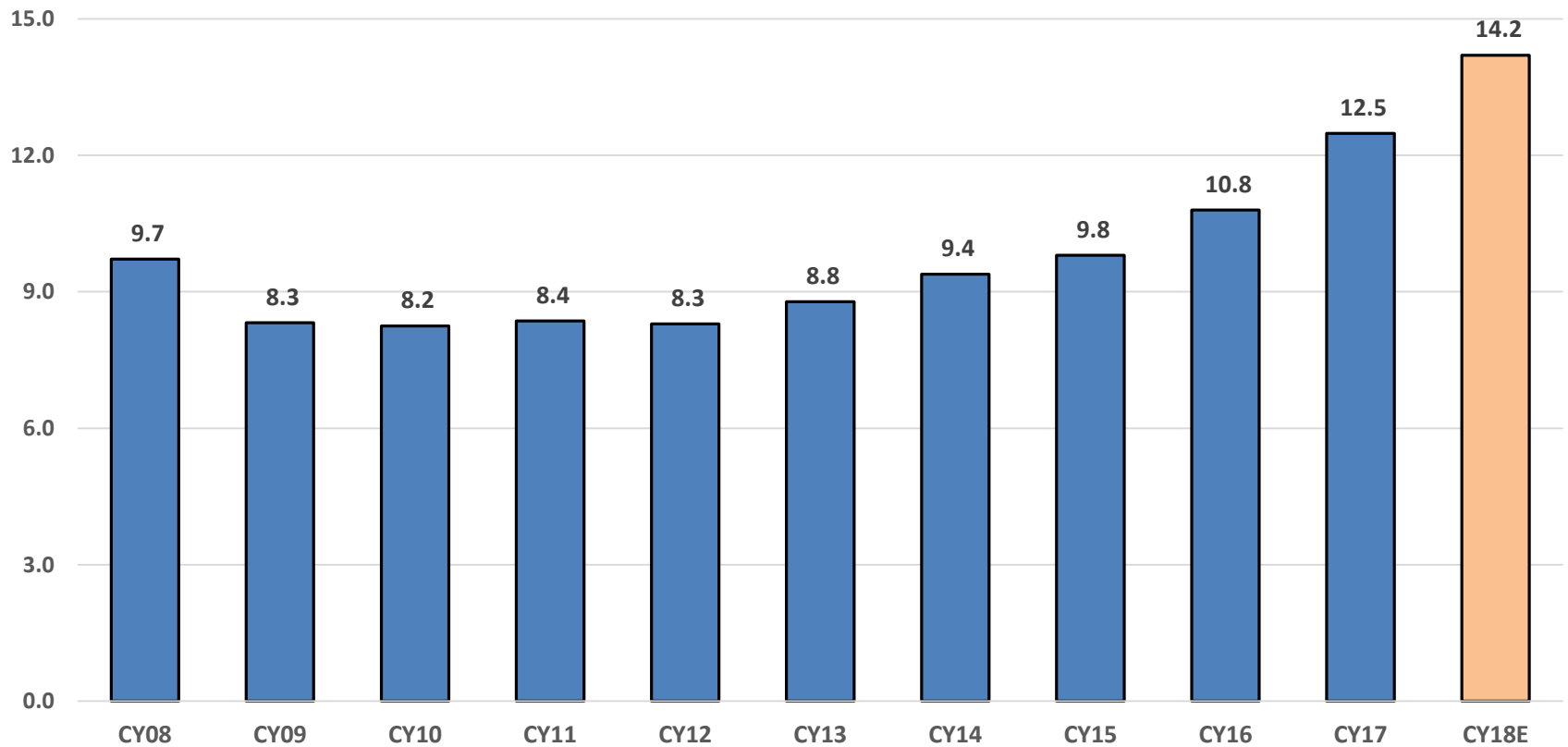


SJC Nonstop Route Map (with added services)



New Nonstop Route
 Additional Carrier

SJC Annual Passengers *(millions)*



SILICON VALLEY'S AIRPORT



Airport Concession Disadvantaged Business Enterprise (ACDBE) Program

**Presented by:
Magdalena Nodal**

ACDBE Definition



- ACDBE-Airport Concessions Disadvantaged Business Enterprise

Purpose of the ACDBE Program

- Program was created to minimize concerns related to minority discrimination in the award and administration of concession opportunities at Enplaning (outbound) passengers
 - Create a level playing field
 - Help remove barriers
- Adherence to ACDBE program regulations is required to remain eligible to receive federal grants for airport development from the FAA's Airport Improvement Program (AIP) Terminal configuration, traffic flow and location of stores and restaurants

FFY* 2018-2020 ACDBE Plan Goals



ACDBE Goal (Non-Rental Car Goal):
10.64%

- Based on ***Food and Beverage***, Retail, Gifts, Advertising, Passenger Screening Services, etc.



*Note: The FFY or Federal Fiscal Year begins on October 1 and ends on September 30 of the following year

ACDBE Plan Items to Keep in Mind



Demonstration of “Good Faith” efforts toward achievement of goals

Annual reporting to the FAA of participation by the Airport’s direct concessionaires as well as the companies providing goods and services to the concessionaires

ACDBE Contact at SJC



Magdalena Nodal, Senior Analyst

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International Airport
1701 Airport Boulevard, Suite B-1130
San José, CA 95110-1206**

1-408-392-3673

mnodal@sjc.org



SILICON VALLEY'S AIRPORT



Concessions at SJC

Presented by:
Drake Beaton

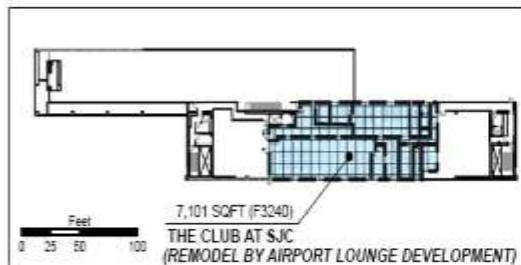
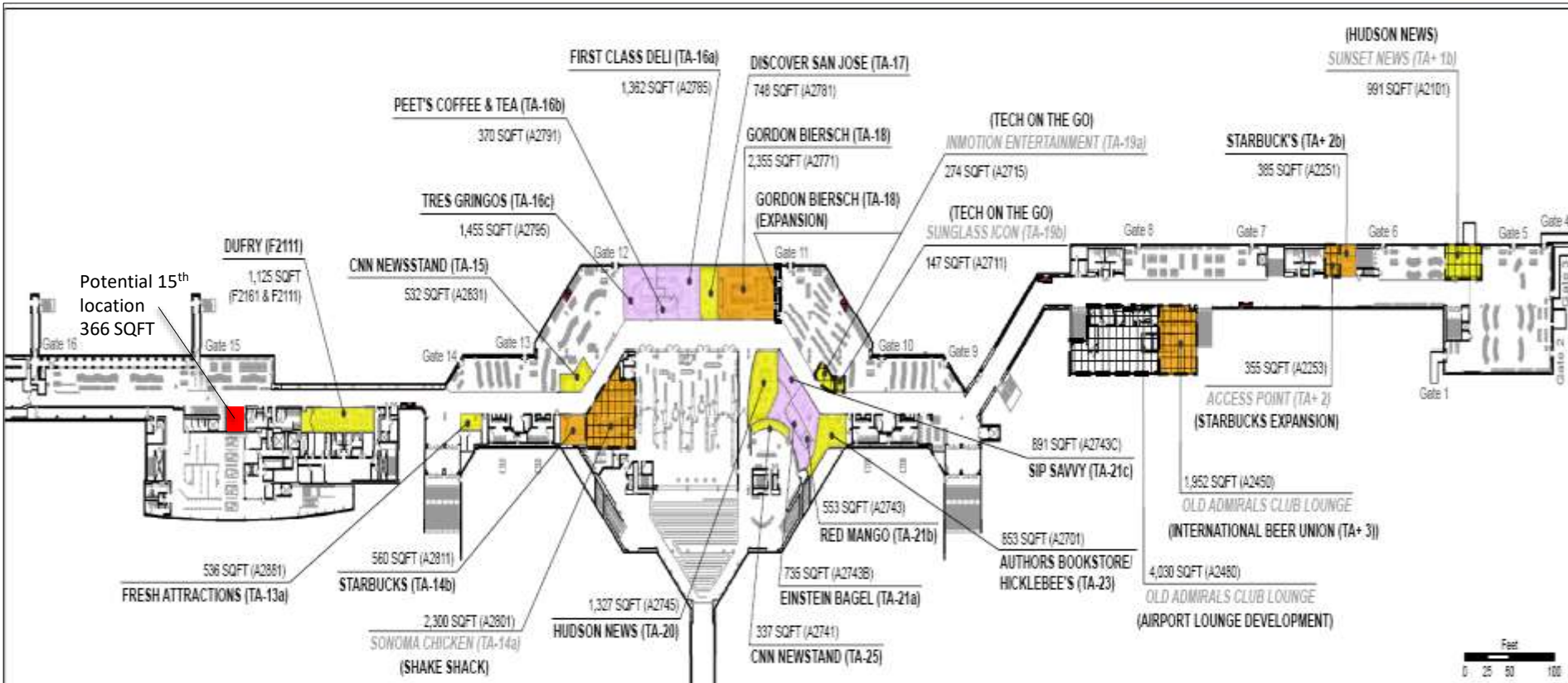
- Overview of the Current Concession Program
- Doing Business in an Airport Environment
- Upcoming Opportunity

Definitions

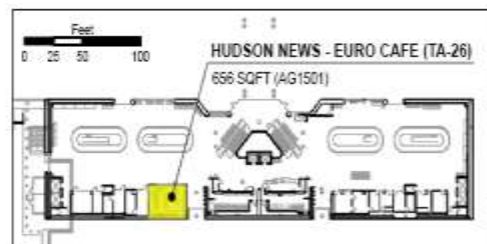


- ACDBE-Airport Concessions Disadvantaged Business Enterprise
- Epax-Enplaning passenger
 - Someone who boards an aircraft-not someone exiting an aircraft
- Prime Operator-A company who runs multiple stores or restaurants at an airport
- Sales per Square Foot (S/sq.ft.)-A unit of measure, determining the amount of sales per square foot a location accomplishes (Sales/sq.ft-S/sq.ft.)
- SPE (or SEP)-Sales per Enplanement-The value of each passenger that boards an aircraft; it is NOT the same as a check average

Terminal A



FIS - FLOOR 3

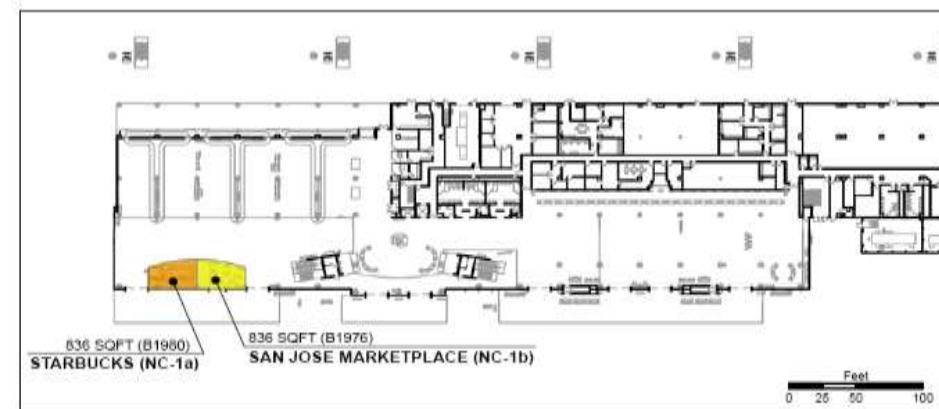
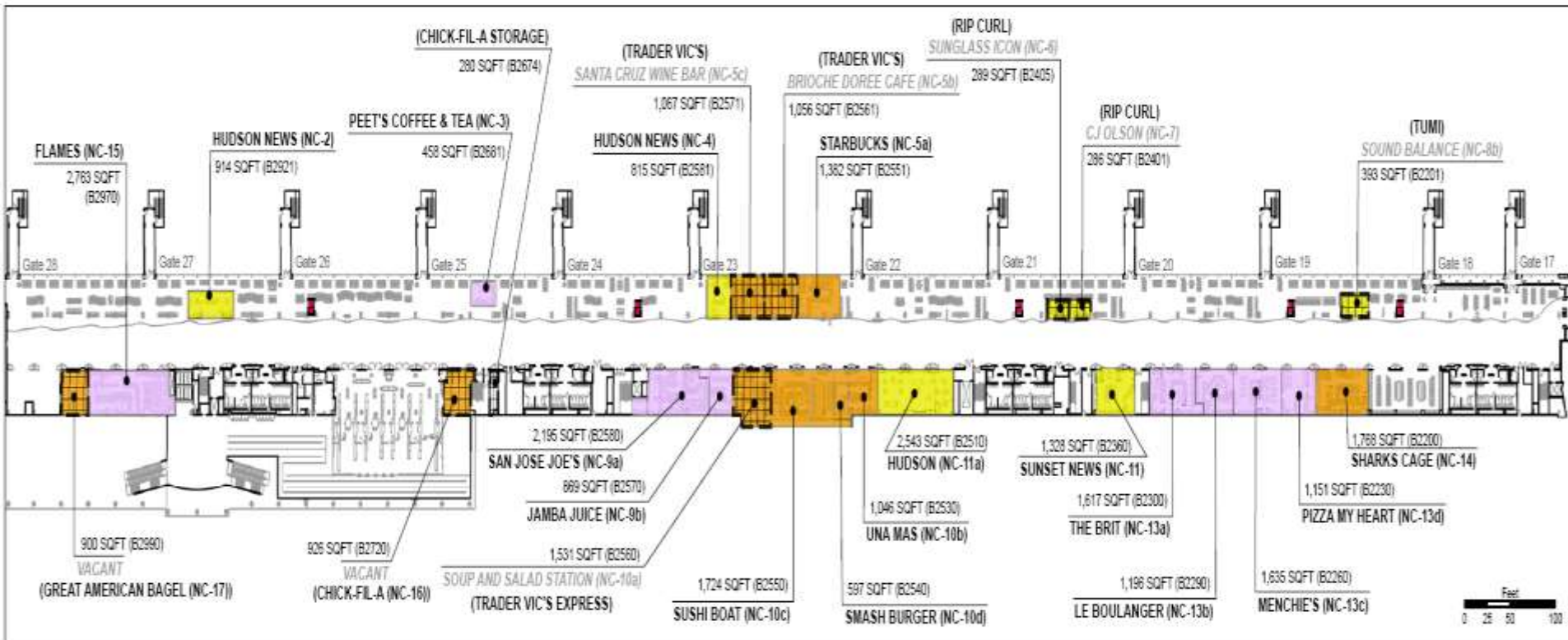


TERMINAL A - BAGGAGE CLAIM

LEGEND



Terminal B



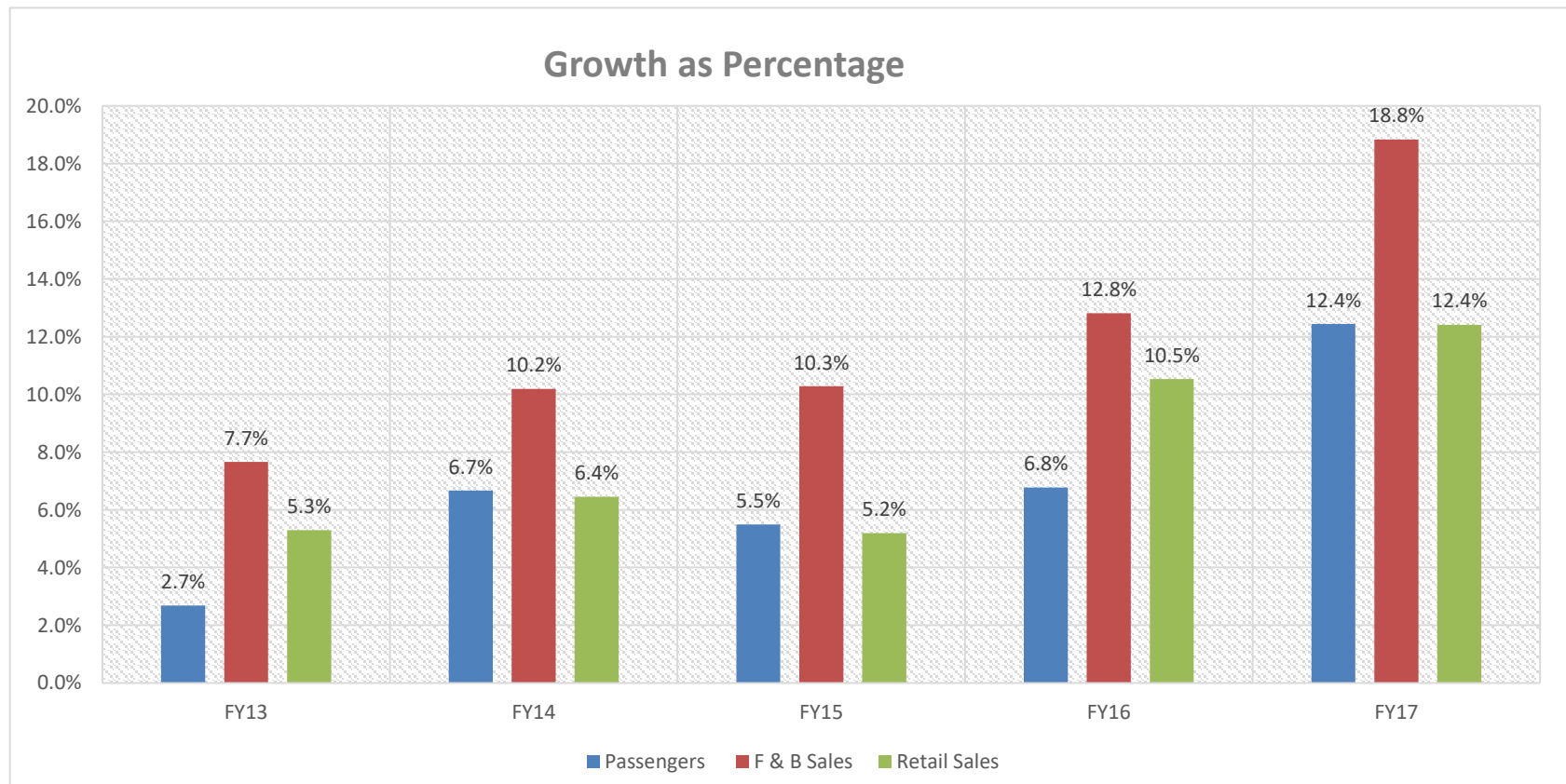
LEGEND

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

Food and Beverage Concession Sales



- F&B sales for 2017 total \$42,082,332
 - exceedingly outpacing traffic and retail growth



Doing Business in an Airport Environment

- Security Standards
- Hours of Operation
- Pricing Policy
- Staffing
- Customer Service
- Speed of Service
- Product Delivery

Doing Business in an Airport Environment



Operating at an airport is NOT the same as operating street side

- The airport is open 20 hours, 365 days a year
- The peak season is summer months, and holidays
- Peaks and valleys during the day
- Flight delays can cause sales spikes
 - Staffing flexibility
- Multiple market segments
 - Product/merchandise assortment should be tailored to market segments
- Staffing can be quite challenging
 - Staff are required to pass background checks

Other Items to Consider



- Footprint of location will generally be smaller than a mall or street-side
- Replenishment rate is significantly higher
- Ability to meet customer demand during peak periods

Areas that Influence Product Mix at an Airport

- Average Age, Income, Gender
- Business vs. Leisure Travelers
- Domestic vs. International Travelers
- Average Dwell Time
- Residents vs. Visitors
- Long Haul vs. Short Haul
- Commuters
- Terminal Configuration
- Employees

Key Attributes of a Successful Concession



- Customer Service
- Value
- Variety
- The “wow” factor
- Sense of Place
- Aesthetics

= Revenue Production



Concept Characteristics

Finding the Right Mix of Concepts



The Airport's desire is to find the right mix of *local, regional and national* brand names to provide a wide product niche and service levels

- Reflects the character, lifestyle, and culture of the San Jose area
- Design is appealing, inviting, and exciting
- Ability to operate at exceptionally high volumes for long periods of time
- New and enticing products at varying price points
 - Broad appeal can be important to capturing new customers
- Ability to be translated into a smaller menu offering

Trends in Concessions



- Limited airline meal service
- Healthy, fresh food
- Local and National “celebrity” chefs
- Branding

What are Prime Operators?



A Prime Operator is generally a large concession stakeholder/operator for an airport's concession program. They usually will manage and/or run a high percentage of the airport's concession locations. These operators can include sub-lessees and joint ventures.

Consists of Three Packages:

- Package #1: One prime operator package consisting of 12-13 locations (or the equivalent blocks of space)
- Package #2: One medium sized location
- Package #3: One small sized location

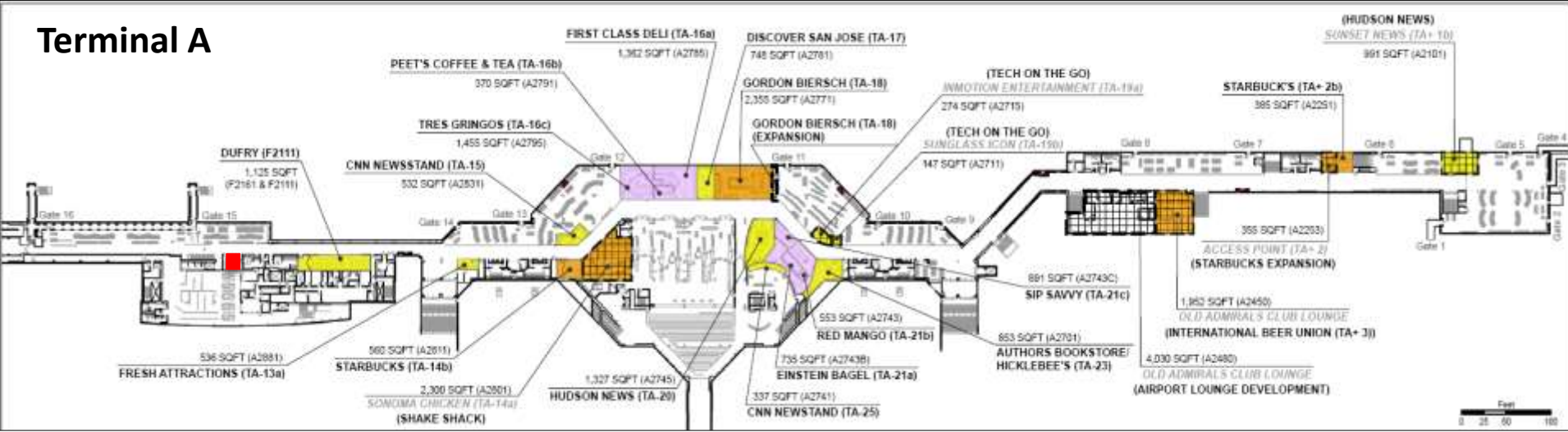
Anyone can propose on all packages in which they qualify

Package #1 Prime Operator Package

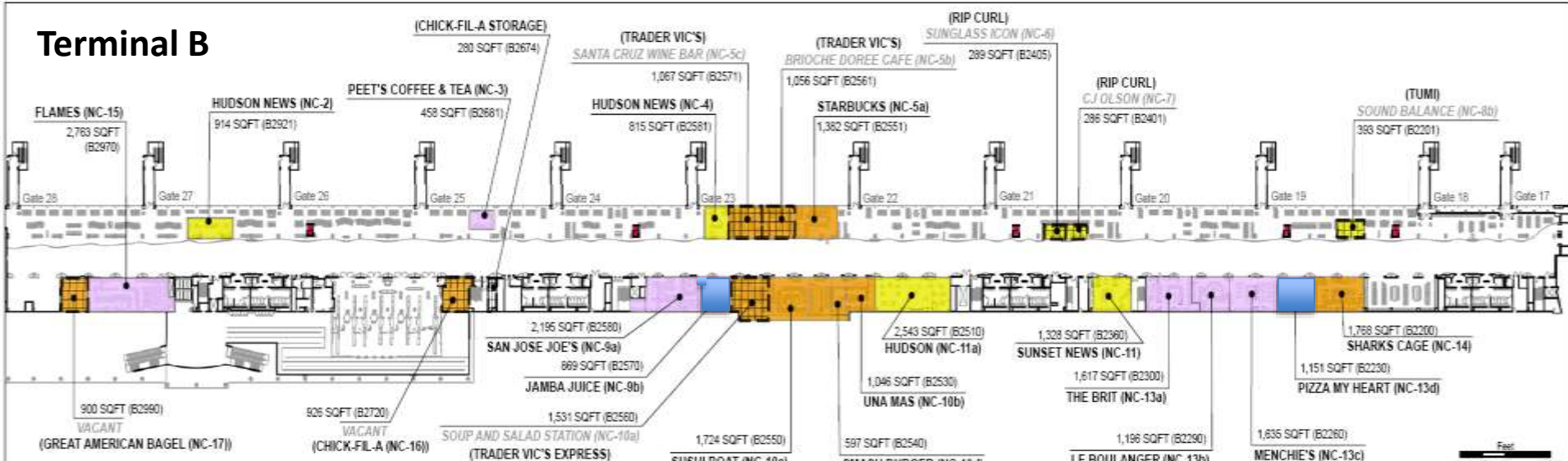


All locations in Purple are part of the packages out for bid

Terminal A



Terminal B

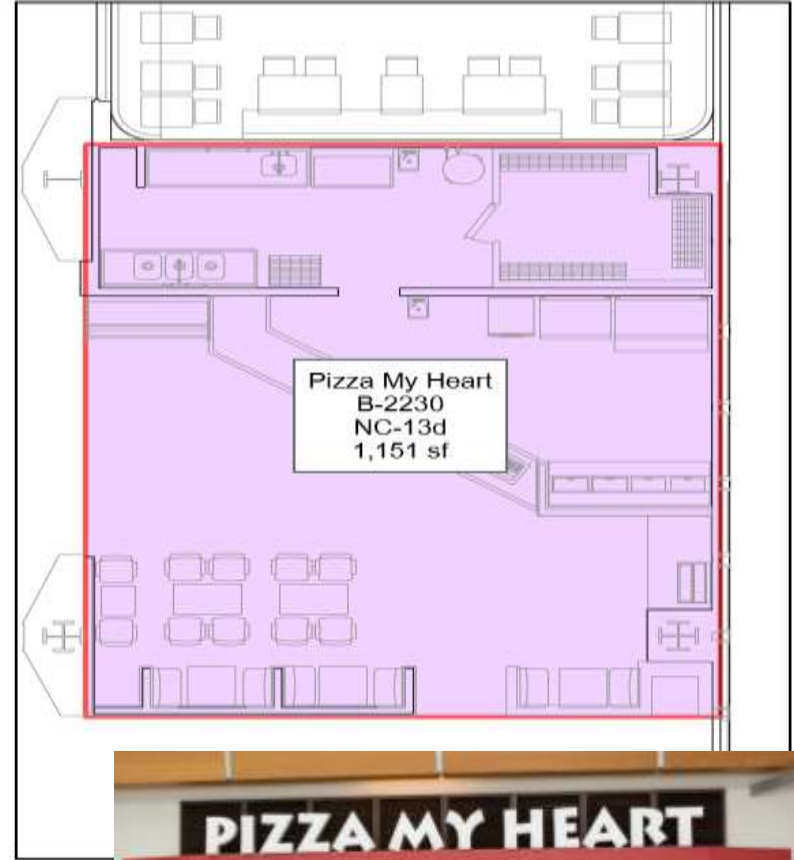


Package #2 Medium Sized Individual Location

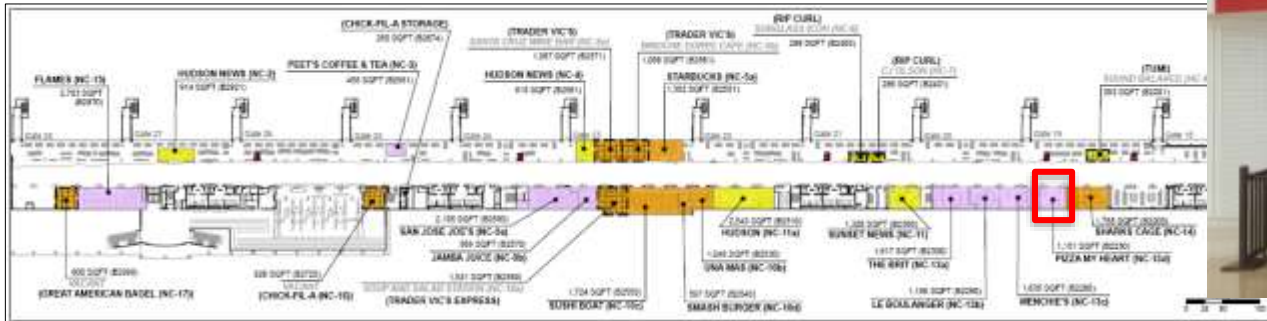
Lease Location # NC-13d



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



Terminal B-Key



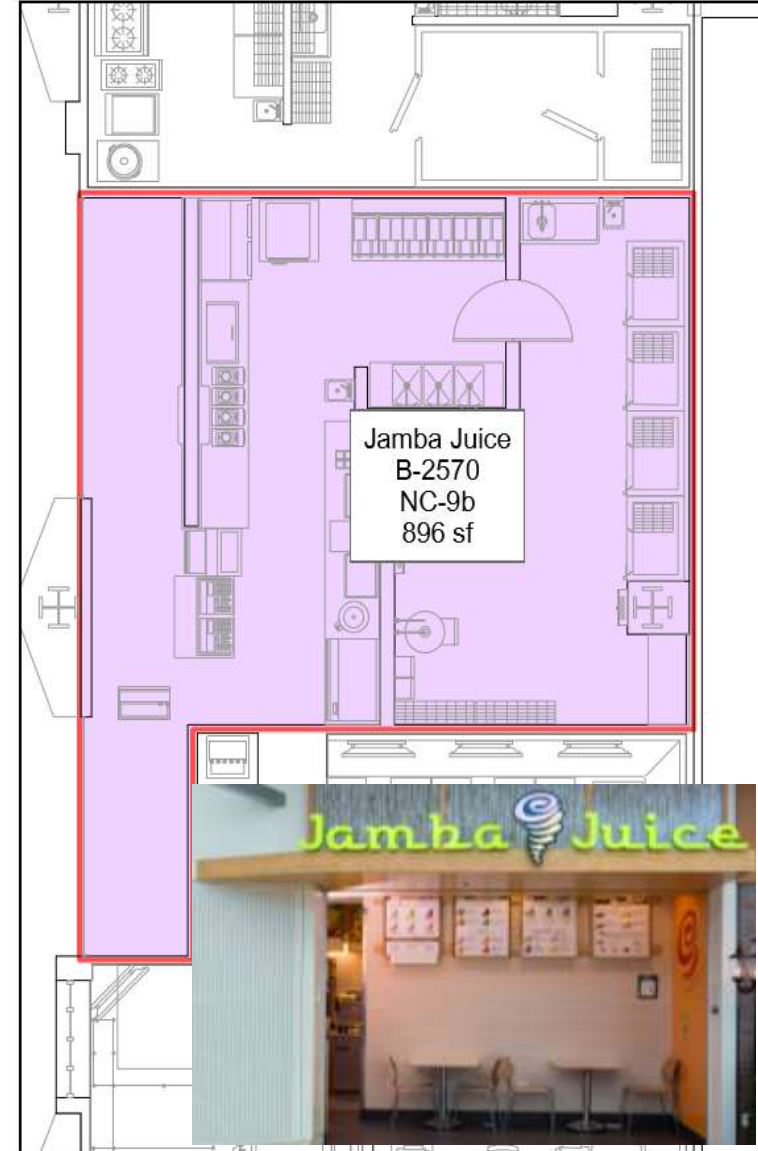
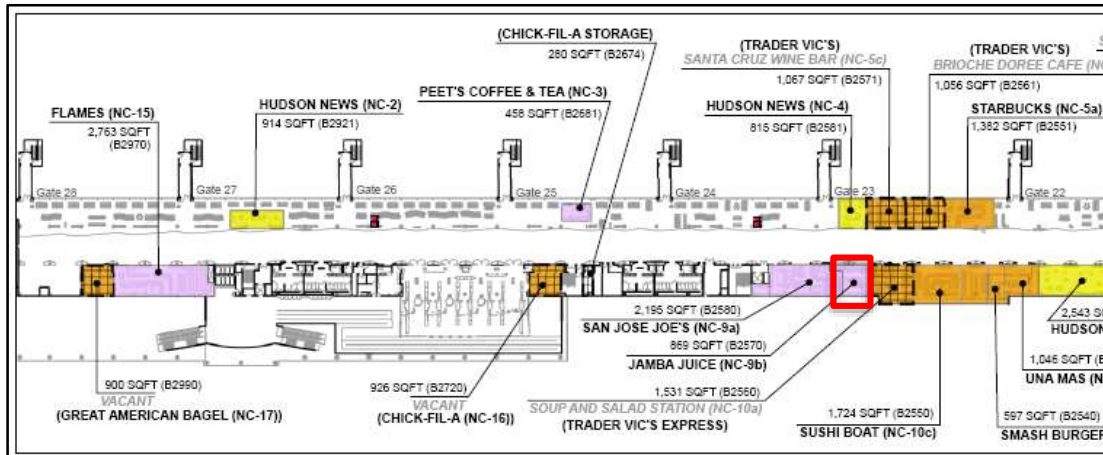
Package #3 Small Sized Individual Location

Lease Location # NC-9b



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

Terminal B-Key



Expected Business Terms with SJC*

- Lease Term
 - Expected to be 10-years, with an option to extend four years upon mutual agreement
- Rent Structure (greater of)
 - Minimum Annual Guarantee
 - Percent of sales
- Capital Investment (minimum)
 - Tenant improvement minimum requirements: Potentially \$500 - \$750 per square foot
 - Mid-term refurbishment expected to be a minimum of 15% of proposed total capital investment
 - All new units

*Subject to change

SILICON VALLEY'S AIRPORT



**MARKETING YOUR
CONCEPT**

Operator Opportunities



- Partner with a Prime Operator as:
 - Licensee
 - Sub-lessee
 - Joint Venture
- Sole-proprietor (Packages 2 and 3)

Exclusive vs. Non-exclusive



- Exclusive means that you will only partner with one Prime Operator
 - Eliminates your ability to market to another operator
- Non-exclusive partnerships give you the ability to partner with multiple Prime Operators
 - Prevents ability for Prime Operators to leverage your brand
- It is the business owner's sole responsibility to determine whether to partner with a Prime Operator or to propose on their own



THE AIRPORT DOES NOT REQUIRE EXCLUSIVE OR NON-EXCLUSIVE ARRANGEMENTS

Advantages to Working with Prime Operators



Works closely in supporting individual vendors:

- Assists with security standards
- Liaison between airport and vendor
- Aids in merchandising/marketing
- Product delivery and storage
- Staffing management
- Maintenance support
- Product development and pricing strategies

Presenting and Selling Your Concept

Making Your Case

Your presentation to a Prime Operator (and airport) should include:

- A narrative about your concept
 - Service standards
 - Branding
 - Operating strengths
- Photos of existing business
 - Design, concept, fixtures
 - Merchandising/promotion
- Menus, pricing and marketing strategies
 - How might these differ from non-airport locations?
- Business proforma of projected revenue and expenses

**Understand capital investment requirements and its
impact to your bottom line**

Using Technology as an Advantage



Can you provide services that will enhance the passenger experience?

- Pre-order capability?
- Rapid transactions
- Availability of menus online
- Adjust menus according to what sells best



Source: <http://atyourgate.com/>

Why you and not your competitor?

SILICON VALLEY'S AIRPORT



The RFP
Process

Request for Proposal (RFP) Process



- The Request for Proposal (RFP) is the industry standard competitive approach for:
 - Soliciting
 - Evaluating
 - Selecting operators

Minimum Qualifications



- Minimum number of years will be expected for each package
- Minimum gross revenue threshold
- Must be able to provide verification on ability to financially support location

RFP Submittal Policy



- Proposal submissions that are not current, accurate, and/or completed accurately in the prescribed format defined in the RFP shall be considered non-responsive and eliminated from further consideration.
- The City reserves the right to waive minor irregularities in the Proposal submittal and/or to reject any or all Proposal submittals.
- Incomplete and/or unsigned Proposals will not be considered.

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/>

“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.

Contact Information

concessionsRFP@sjc.org

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San Jose, CA 95110-1206

All updates will be posted to the website

<https://www.flysanjose.com/RFP2018>

Q&A