

Food & Beverage Concessions Program Update



F&B 2020

- ➔ Reminder of Basic Terms of New F&B Program
- ➔ Evaluation Committee Recommendations Approved by Board
- ➔ Timeline: December 2018 into Summer 2019
- ➔ Financial Performance: “Old” Program vs “New” Concessionaires
- ➔ Employee Retention Success
- ➔ Design Review Process
- ➔ Concessionaires: From Proposal to 60% Design Reality
- ➔ What’s Next for the F&B Program

Basic Terms of the New F&B Program

Four Packages Covering 17 Locations Spread Throughout Terminals 1 & 2

- Package #1 for Prime Concessionaire: Seven Units totaling 11,480 SF
- Package #2 for Prime Concessionaire: Eight Units totaling 13,186 SF
- Package #3 for Small Business: 1,283 SF in Terminal 1
- Package #4 for Small Business: 1,455 SF in Terminal 2

Term = 11-Month Transition Period; Ten-Year Term (effective 01/01/2020)

Operating Hours: Subject to passenger demand, all Units contractually-obligated to be open and fully operational from 4:00 a.m. to 11:00 p.m., seven days per week, 365 days per year with no exception for holidays. Currently authorized with shortened hours, but with all coffee units open by 4:15 a.m.

Basic Terms of the New F&B Program

Minimum Annual Guarantee: Based on Unit Size and Pre- or Post-Security

Percentage Rental: “Old” vs. “New” (Step on each \$1 Million in Sales)

- Stepped Percentage Rent for Food & Beverage (Alcohol): 10% - 12% - 14%
- Stepped Percentage Rent for Coffee: 14% - 16% - 18%
- Stepped Percentage Rent for Quick Serve: 12% - 14% - 16%
- Stepped Percentage Rent for Food & Beverage: 8% - 10% - 12%
- Flat 15% on Alcohol
- Flat 15% on Merchandise

Pricing Policy = Street Prices + 10%

Benefits Fee = +3% (not applicable to percentage rent)

Basic Terms of the New F&B Program

- **Labor & Employment** = Must comply with all Federal, state, local and Port regulations, including:
 - The Port's Labor Peace Rule
 - First Source Hiring: Good faith effort to hire residents from the Port's local impact area
 - Fair Chance Hiring: Non-discrimination in hiring and support for locals with barriers to employment
 - Living Wage Policy
 - Prevailing Wage Requirements
 - Maritime and Aviation Project Labor Agreement (MAPLA)
 - ACDBE/DBE Participation
 - Employee Retention Program

Evaluation Committees Recommended and Board Approved these Four Concessionaires

- **Package #1 = SSP America OAK, LLC**
 - SSP America, Inc. (Managing Partner)
 - Shonda Scott – 360 Total Concept Consulting (ACDBE Partner)
 - Nikki Shaw – Wystone Starlight Concessions (ACDBE Partner)
- **Package #2 = HFF Oak Venture, LLC**
 - High Flying Foods (Managing Partner)
 - Andalé Management Group (ACDBE Partner)
 - RDJ Enterprises (ACDBE Partner)
- **Package #3 = Soaring Food Group, LLC (ACDBE)**
- **Package #4 = Rylo Management, LLC (ACDBE)**

Timeline of New F&B Concessions Program

- **December 2018**

- Ordinance No. 4498 Adopted and Each *Space/Use Permit* Effective
- New Concessionaires Kick-Off Transition Planning
- Employment Retention and Hiring Process Underway

- **January 2019**

- Host Begins Closing Units (Inventory and Staffing Shortages)
- New Concessionaires Continue Hiring/Staffing Process
- Staging of Equipment and Inventory for New Concessions Units

- **January 31 – February 1, 2019 Overnight – Midnight Transition**

- Closure of Firewood Café and Remaining Host-Operated & Subleased Units
- “Mall Wall” Constructed Around Now-Closed Terminal 2 Food Court
- Deep Cleaning, Rebranding, Equipment Substitution, Restocking
- 5:00 a.m.: Four Peet’s Coffee Units, OAK Pizza and Andale Café Open

- **March 1, 2019 – All Interim Units Open (Except T2 Food Court Closed)**

Timeline of New F&B Concessions Program Winter Into Summer 2019

- **Interim Operations Underway for All New Concessionaires**
- **“Learning Curve” for New On-Site Management Teams**
 - Security Violations
 - Inventory Staging/Storage Issues
 - Operating Hour Violations
 - Staffing Shortages
- **30% Design Submittals**
 - Multi-Division/Department Team Review & Comment Process
 - Response and Re-Design By New Concessionaires
- **Construction Schedule Coordination**
- **60% Design Submittals**

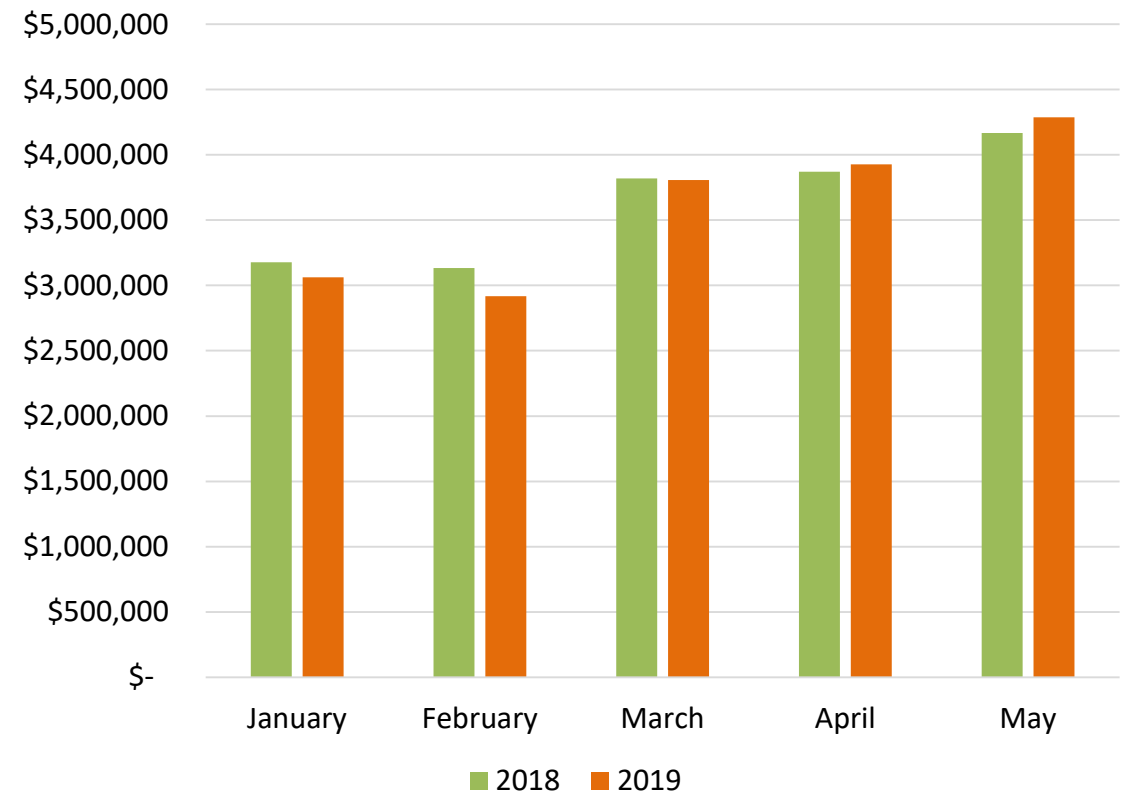
Transition
and
Design
Underway
from now into 2020

Financial Performance

“Old” vs. “New” F&B Concessions Programs

Gross Revenues from Sales Were Anticipated to Decrease:

- Host Started Closing in January
- New Concessionaire Closures:
 - T2 Food Court through 2019
 - Transition for some units took from a few hours to many days to several weeks
- But... Revenues Have Been Generally Sustained!
- Year-Over-Year Decrease of 0.3%
- Passenger Traffic Increase of 1.1%

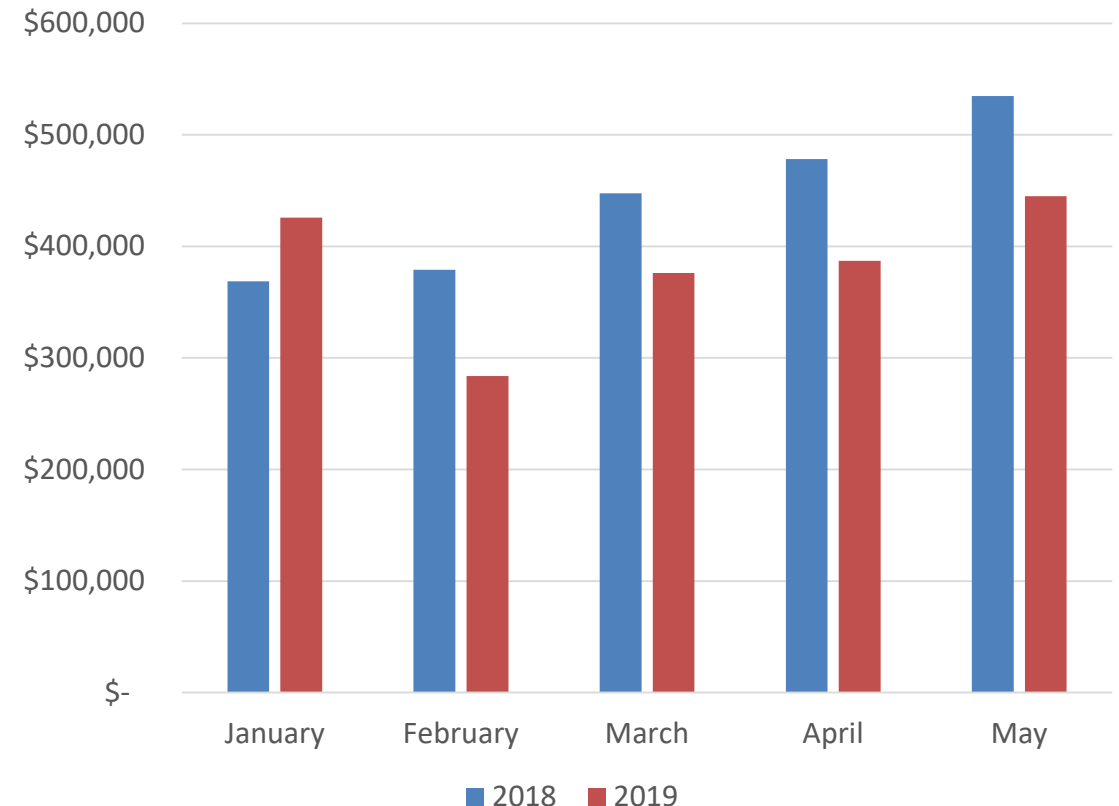


Financial Performance

“Old” vs. “New” F&B Concessions Programs

Rentals to Port Were Expected to Decrease:

- Host Started Closing in January
- New Concessionaire Closures:
 - T2 Food Court through 2019
 - Transition for some units took from a few hours to several days to weeks
- Percentage-of-Gross Rates Reduced for New Concessionaires
- Previously, Staff Estimated 15.9% Annual Decrease in Rental to Port
- Year-Over-Year Decrease of 19.8%



Employee Retention Program

- **Port Concession Worker Retention Program Eligibility:**
 - Currently Badged Prior Concessionaire (Host, Andale, Firewood) Employee
 - Worked at least 90 calendar days at OAK
 - Current employees added to Rehiring List by Seniority/Class
- **Hiring List Success – 100% of Eligible Employees Offered Position:**
 - New Concessionaires now hiring from outside sources
 - Utilizing First Source and Fair Chance Programs
- **Employee Retention – 84% of Eligible Employees Hired**
 - 213 employees from Prior Concessionaires hired by New Concessionaires
 - As of May 31, 2019, 35 of 213 hired employees have left voluntarily
 - New Concessionaires comment: This is acceptable for the industry

Design Review Process

- **Preliminary Design Phase – 30%:**
 - Tenant submits conceptual design drawings, materials boards, floor plans and written design narrative – including changes from its Proposal
- **Schematic Design Phase – 60%:**
 - Update and correct any criteria compliance problems
 - Address all Port comments from 30% Design Phase
 - Detailed floor plans for kitchen, surface treatments, decorative elements, furniture, utilities, ceiling, lighting, HVAC, signage
 - Updated materials board
- **Pre-Construction Documents Phase – 90%:**
 - Detailed floor plans, sections and elevations; utilities details; HVAC placement; ceiling and lighting plans; sign specifications; color and finish schedules; materials board; and colored perspective sketches
 - Construction Schedule

Package #1 = SSP America OAK, LLC

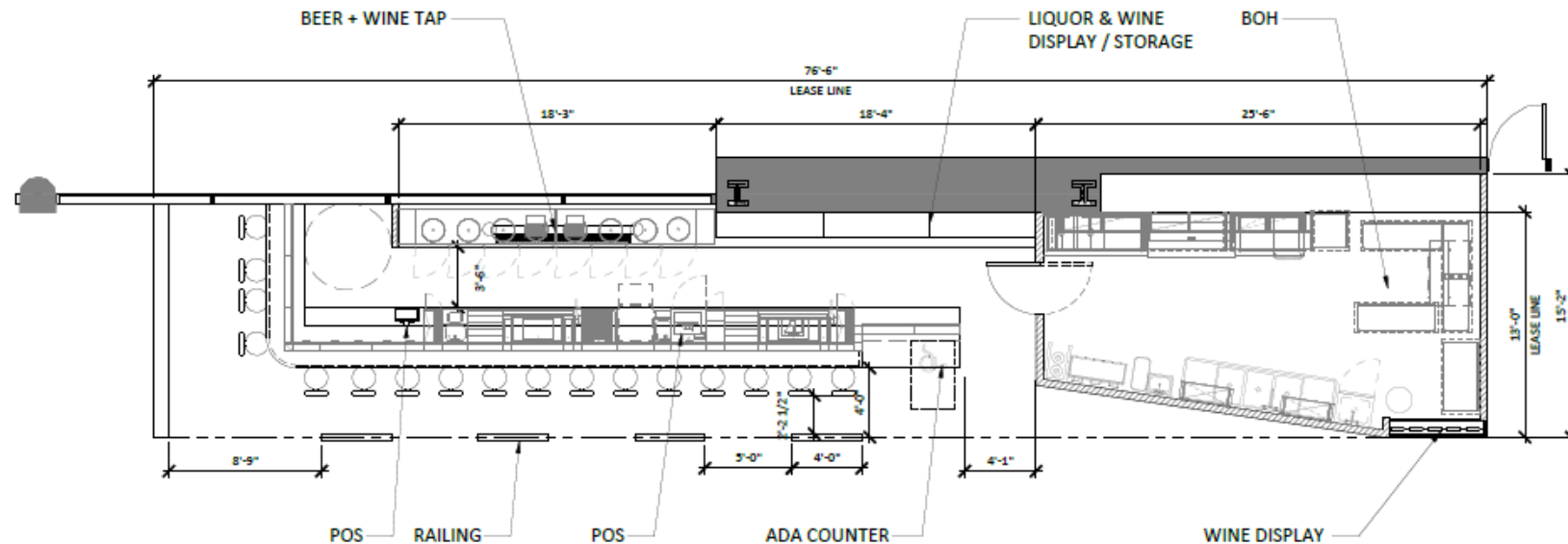
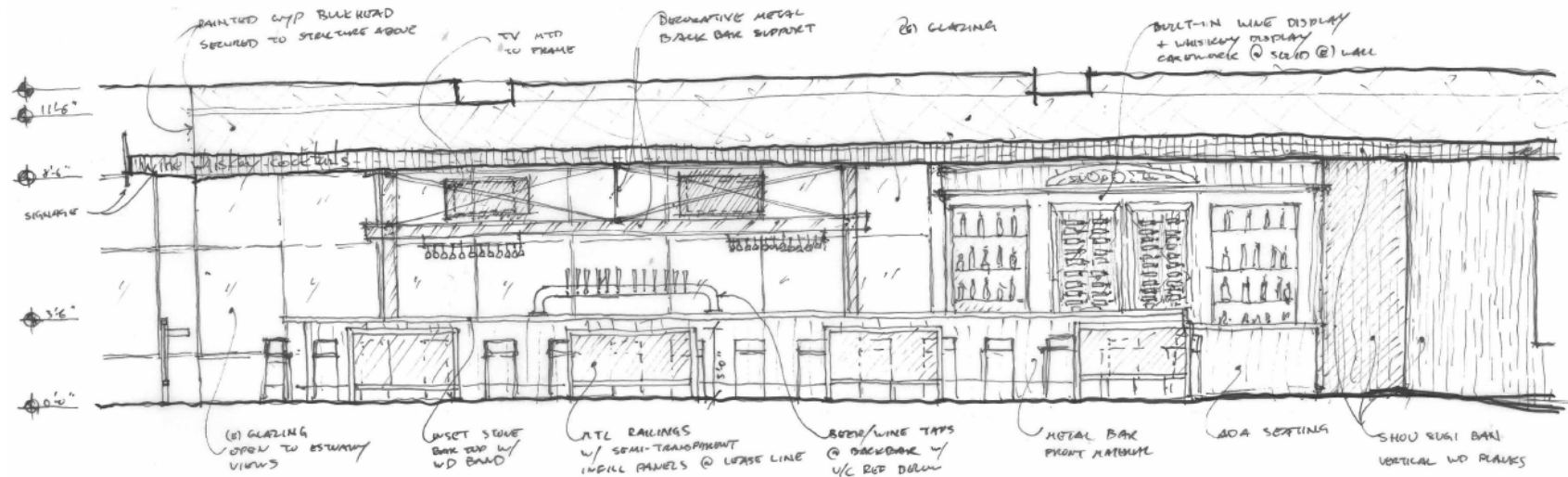
Brands & Partners



SSP's Proposal



SSP's 30% Design



SSP's 60% Design



Package #2 = HFF Oak Venture, LLC

Brands & Partners



FARLEY'S

ARTISAN : 24





HFF's Proposal



HFF's 30% Design



Package #3 = Soaring Food Group, LLC
Brand Partner = Luka's Tap Room & Lounge



Soaring's Proposal



Soaring's 30% Design

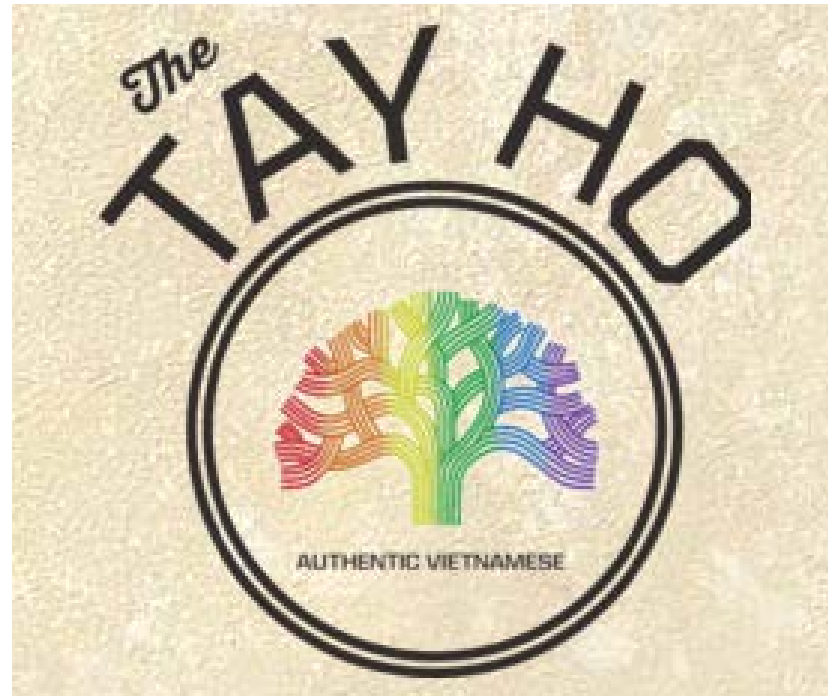


Soaring's 60% Design



Package #4 = Rylo Management, LLC

Brand Partner = Tay Ho Oakland



Rylo's Proposal



Rylo's 30% Design



Rylo's 60% Design



What's Next for the New F&B Program

- Complete Design Review through 90% Submittal
- Concessionaires apply for and receive permits
 - City Building Permits
 - Board-approved Port Development Permits
- Phased Construction Commences
 - Coordinate unit closures to minimize food and beverage shortages within each concourse
 - Potential timing conflict between The Hangar vs. Cosecha – minimize time both units closed at the same time!

What's Next for the New F&B Program

- Possible Increase in Benefits Fee? From current **3%** to **5%**?
 - OAK passengers now pay total of “Street” + 13% (includes 3% Benefits Fee)
 - Union labor costs above projected in Proposals; wages and benefits increased by almost 10% compared to previous concessionaire contracts.
 - Limited industry trend toward increasing “Street” Pricing:
 - * Sacramento (SMF) = Street + **15%**
 - * San Diego (SAN) = Street + **15%**
 - * San Jose (SJC) = Street + **10% to 15%**
 - * Los Angeles (LAX) = Street + **18%**
 - * San Francisco (SFO) = Street + **10%**
- Concessionaire Trade-Off:
 - Value Menu at Most Units (Options under \$10)
 - More Kids Items & Treats
 - Rotating “Deals-of-the-Day” at ≈\$15 prices point

What's Next for the New F&B Program

- Potential Modifications to Terms and Conditions of *Space/Use Permit*
 - Reimbursement for Concessionaire-constructed, Port-obligated improvements
 - Delay MAG Rent Commencement Date
 - Staggered Mandatory Opening Dates
 - From January 1, 2020 to April 1, 2020 through July 1, 2020
 - Revision of size of premises to maximize unit efficiency
 - Request Board Approval in Autumn 2019
- All Units Open as of July 1, 2020