

AGENDA REPORT

Ordinance: Approve an *Amendment to Space/Use Permit* with each of the Four Food & Beverage Concessionaires Operating at Oakland International Airport; Specifically: HFF OAK Venture, LLC (“HFF”); Rylo Management; Soaring Food Group, LLC; and, SSP America OAK, LLC (“SSP”) to Modify each *Space/Use Permit* including Increasing the Employee Benefits Fee, Extending the Term by Three (3) Months, Add 1,636± Square Feet to SSP’s Assigned Space at an Initial Monthly Rent of \$9,648, Augment Methods for Establishing the Square Footage of Each Unit, Formally Incorporate Two Units into the Definition of Assigned Space for HFF and SSP, Confirm Commencement Date for Payments into the Marketing and Mid-Term Refurbishment Funds, Extend the Rent Commencement Dates on a Unit-by-Unit Basis, Authorize the Director of Aviation to approve reimbursement through rent credits for certain Port-required improvements to be constructed by Concessionaires in an amount not to exceed \$100,000 per Unit, Waive the Prohibition of Installing Game and Automated Vending Machines; and Restrict the Use of TSA Prohibited Items in SSP’s Peet’s Coffee Near Gates 26 and 27 (Unit No. T2-FB-G27). **(Aviation)**

MEETING DATE: 12/12/2019

AMOUNT: \$2.454 Million Revenue for Remainder of FY2019-20

PARTIES INVOLVED: **HFF Oak Venture, LLC** – Package #2
Glenn Meyers, CEO; Sausalito, CA
High Flying Foods (89% Managing Partner)
Andalé Management Group
(8% ACDBE Partner)
RDJ Enterprises
(3% ACDBE Partner)
NNF Grewal/Subway (ACDBE Subtenant)

Rylo Management (ACDBE) – Package #4
Gina Graziano, CEO; San Rafael, CA

Soaring Food Group, LLC (ACDBE) – Package #3
Joseph G. Cook, CEO; Berkeley, CA

SSP America OAK, LLC – Package #1
Pat Murray, Executive Vice President; Ashburn, VA
SSP America, Inc. (70% Managing Partner)
Shonda Scott, 360 Total Concept Consulting
(20% ACDBE Partner)
Nikki Shaw, Wystone Starlight Concessions
(10% ACDBE Partner)

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation

APPROVED BY: Danny Wan, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

At its meeting on November 8, 2018 the Board of Port Commissioners adopted Ordinance No. 4498 to accept the Evaluation Committees' recommendations to award Four Separate Food & Beverage Concession Opportunities as detailed in a Request for Proposals (the "F&B RFP") covering all restaurant and bar locations in Terminals 1 and 2 at Oakland International Airport, and to enter into a *Space/Use Permit* ("SUP") with each of the recommended awardees of the F&B RFP:

Package #1	SSP America OAK, LLC ("SSP")
Package #2	HFF Oak Venture, LLC ("HFF")
Package #3	Soaring Food Group, LLC ("Soaring")
Package #4	Rylo Management ("Rylo")

Effective at midnight on January 31, 2019/February 1, 2019, the former food and beverage operators – Andalé Management Group, Inc.; Host International, Inc., and Gotham Foods Two LLC – ceased operations and these four new concessionaires began their interim/temporary operations and redevelopment of all seventeen Units. With more than nine months of operations since the transition, both Port Staff and the Concessionaires have identified a few areas in each *Space/Use Permit* that would benefit from amendment:

- Increase the Benefit Fee from 3% to 5%;
- Extend the Term by three (3) months;
- Add 1,636± Square Feet to SSP's Assigned Space at an Initial Monthly Rent of \$10,225;
- Augment method of calculating the square footage of the Assigned Space;
- Incorporate the spaces to be constructed within the footprint of the moving walkway between Gates 25 and 26 into the SUPs for HFF (Subway) and SSP (District);
- Confirm the required contributions toward the Marketing Fund and the Mid-Term Refurbishment Fund will commence January 1, 2020;
- Revise the Rent Commencement Date for each Unit from January 1, 2020 to various later dates not to extend beyond October 1, 2020;
- Delegate to the Director of Aviation authority to reimburse through rent credits for certain Port-required improvements to be constructed by Concessionaires in an amount not to exceed \$100,000 per Unit;
- Require each Concessionaire to develop a detailed Facility and Equipment Maintenance Plan to be attached as an exhibit to the proposed *Amendment*;
- Allow an exception to the prohibition in the SUP prohibiting use of games or vending machines (applicable so that HFF may install foosball tables in "The Hangar" Unit, and so that HFF and SSP may each install an automated specialty coffee machine in their pre-security Unit);
- Require each Concessionaire to develop, produce and deliver to the Port a detailed

Quarterly Business Report; and,

- Preclude SSP from allowing TSA Prohibited Items within its Peet's Coffee Unit near Gates 26 & 27 to accommodate its proposed design of Unit No. T2-FB-G27.

And also authorize the Executive Director to execute each *Amendment to Space/Use Permit* and other documents that may be necessary to effect these proposed modifications, tenancies and operations.

BACKGROUND

On May 4, 2018 Aviation Staff released the F&B RFP. Proposals were due on July 27, 2018. A total of nineteen (19) Proposals was received from twelve (12) Respondents covering the four (4) packages. Staff reviewed the Proposals and deemed that all met the minimum qualifications to move on to the presentation phase.

- I. **The Packages:** The packages are briefly described in the below table with the awarded Concessionaire shown:

Package	Proposed Assigned Space (Estimated Square Feet)	Awardees
No. 1:	Seven Units in T1 & T2, including one unit at T1 Pre-Security (Total 11,480± Square Feet)	SSP America OAK, LLC
No. 2:	Eight Units in T1 & T2, including one unit at T2 Pre-Security (Total 13,186± Square Feet)	HFF Oak Venture, LLC
No. 3:	Independent/Small Business Unit in T1 (1,283± Square Feet); Previously Silver Dragon Café	Soaring Food Group, LLC
No. 4:	Independent/Small Business Unit in T2 (1,455± Square Feet); Previously Firewood Café	Rylo Management

- II. **Business Terms and Conditions:** The following terms and conditions were established in the F&B RFP and incorporated into each *SUP*:

A. **Term** = 10 years + 11 Months.

1. **Interim Term:** Occupancy for transition/construction as of February 1, 2019 through midnight December 31, 2019; and,
2. **Primary Term:** Commences January 1, 2020 for a term of ten (10) years through midnight December 31, 2029.

B. **Minimum Initial Capital Investment** = \$600 per square foot

C. **Minimum Mid-term Capital Investment** = \$150 per square foot

D. **Marketing Fund** = 0.5% of Gross Receipts for each Unit (not per package)

E. **Recommended Concepts & Packages:** The F&B RFP defines the food and beverage categories, and depending on the Unit, requires that alcohol (at a minimum beer and

wine) and coffee be available for sale. The F&B RFP emphasizes local concepts; however, it did not require any specific local, regional and/or national concepts or brands for any package or Unit. The awarded Concessionaires will be operating the following concepts/brands in the locations illustrated on Attachment "A":

1. **HFF:** A16 Pizzeria; Artisan Market featuring Café X; Brown Sugar Kitchen; Calavera; Drake's Brewing; Farley's Café; Oaklandish; Red Bay Coffee; Southie; and, Subway
2. **Rylo:** Tay Ho Oakland
3. **Soaring:** Luka's Taproom & Lounge
4. **SSP:** Briggo featuring Peet's Coffee; Cosecha Market; District; Oakland A's Club House; Peet's Coffee; and, Oakland Draft House featuring Sierra Nevada

F. Rental Structure: All rental rates are calculated for each Unit based on the Gross Receipts generated by the total Unit; not per package or concept(s) within a Unit. The Concessionaires will pay MAG or percentage rent, whichever is greater, as detailed in the next section.

1. Percent Rental Rates:

- a. The percentage rent will be calculated using the steps below for each Unit. The total percentage rent due shall be the sum of the individual rent calculations for each Unit, which shall be compared with the MAG by Unit to determine the amount due each month.
- b. 8% First \$1,000,000 in Gross Receipts; plus
- c. 10% Gross Receipts from \$1,000,001 to \$2,000,000; plus
- d. 12% Gross Receipts in excess of \$2,000,001; plus
- e. 15% Alcoholic Beverages
- f. 15% Related Retail Merchandise
- g. Stepped percentage rents are applied to each layer of gross receipts.
- h. Each Unit (even those that share the same trade name) will be treated as a stand-alone business for the purposes of calculating percentage rent.
- i. The F&B RFP specifies that the Port will not consider any alternative percentage rent structure as part of a Proposal.

2. Minimum Annual Guarantee (MAG)

- a. The MAG is calculated on a square foot basis for each Unit commencing with the earlier of the opening of each reconstructed or new Unit or January 1, 2020.
- b. During the time an existing unit is closed for renovation there will be no MAG payable. Instead, Concessionaires will pay monthly percentage rent in an amount described in Paragraph F.1 above for gross receipts of the interim or temporary unit until such time as the renovation is completed and the Unit is reopened for business to passengers or the public.

- c. Post Security, Units < 1,000 SF = \$250/SF
- d. Post Security, Units 1,000 to 5,000 SF = \$200/SF
- e. Post Security, Units > 5,000 SF = \$100/SF
- f. Pre-Security, each Unit = \$75/SF
- g. The Initial MAG for each Unit is subject to adjustment based on post-construction, as-built drawings.
- h. Each Unit (even those that share the same trade name) will be treated as a stand-alone business for the purposes of calculating the MAG.
- i. Annual MAG will be recalculated and reset on a per-Unit basis at 85% of prior year payments (MAG or percentage rents), but never less than the Initial Minimum Annual Guarantee.

G. Performance Deposit: Six months of MAG assessed on a per-unit basis.

H. Temporary Facilities: As existing units are closed for reconstruction and in order to meet passenger demand, the Port will permit the reasonable use of carts and temporary facilities that do not interfere with passenger flows or airline operations. These short-term occupancies will be covered by the Port's standard form *Temporary Rental Agreement*, which do not require Board action.

I. Pricing Policy = "Street" + 10%

J. Benefits Fee = +3% (Not attributable to Gross Receipts)

K. Operating Hours: All Units (and concepts within Units) must be open and fully operational from 4:00 a.m. to 11:00 p.m., seven days per week with no exception for holidays. These hours of operation may be extended or shortened as approved in writing by the Director as determined by the Director to accommodate security checkpoint, airline schedules or other operational needs. If the Director extends or shortens this required 4:00 a.m. to 11:00 p.m., the Respondent will be given thirty (30) days written notice. In addition, the Director may require the Units to be open and fully operational in the event of emergency or major disruption of Airport operations. Staff continues to monitor passenger traffic and flight schedules; the Director has authorized amended hours for most units.

ANALYSIS

It has been more than ten (10) months since the four (4) new Concessionaires took over all of the food and beverage units at the stroke of midnight on January 31, 2019/February 1, 2019. In that time, both Port Staff and the Concessionaires have identified a few areas in each *SUP* that would benefit from clarification, update and or amendment. Attachment "B" details the sections of the *SUP* that would be changed (Items 10 and 15 are minor amendments and not summarized in the Agenda Report). The below table provides the Staff's rationale for recommending the proposed changes (sorted by Item # in the left column of Attachment "B"):

Item 1: Increase in Benefits Surcharge from three percent (3%) to five percent (5%):

Proposal: All Concessionaires entered into new contracts with UniteHere that included maintaining all existing healthcare, pension and time off benefits plus a raise of \$1.25 per hour. These increased per-employee expenses exceeded costs anticipated in the Concessionaires' Proposals, and Staff recommends increasing the Benefits Surcharge from 3% to 5%.

Rationale:

- OAK passengers now pay total of "Street" + 13% (includes 3% Benefits Fee)
- Union labor costs are above projected in Proposals; wages and benefits increased by almost 10% compared to the previous (i.e., Host) contracts.
- Limited industry trend toward increasing "Street" Pricing as shown by OAK's peer airports:
 - Los Angeles (LAX) = Street + **18%**
 - Sacramento (SMF) = Street + **15%**
 - San Diego (SAN) = Street + **15%**
 - San Francisco (SFO) = Street + **10%**
 - San Jose (SJC) = Street + **10% going to 15%**

Trade-Off: In exchange for the Port allowing this increase in revenue to the Concessionaires, each will be required to:

- Offer the following menu items:
 - Value Menu at Most Units (Options under \$10)
 - More Kids Items & Treats
 - Rotating "Deals-of-the-Day" at ≈\$15 prices point

Note 1: The increase in Benefit Surcharge to 5% would not kick-in until the first day of the month following the opening of each individual Unit.

Note 2: Each January 1st commencing January 1, 2021, Concessionaires may request to the Director of Aviation an increase in the price of the "Value Menu" and the "Deal-of-the-Day", which may or may not be approved at Port's sole discretion.

- Contribute toward the cost of employee transportation/parking; Concessionaires and Labor representatives to determine method of payment, but in no event less than the annual marginal increase in the employee parking rate (which increases by \$3, \$4 and \$5 over the next three calendar years; for example, for CY2020, effective January 1, 2020, the rate increases from \$96 per quarter to \$35 per month; a \$3 per month marginal increase).

Item 2: Extend Expiration Date of *SUP* from December 31, 2029 to March 31, 2030 (three month extension):

Proposal: Pursuant to Ordinance No. 4498, the Board approved entering into the *SUP* with each of the new Concessionaires effective for ten (10) years plus eleven (11) months starting February 1, 2019 and expiring December 31, 2029.

Staff is recommending the term be extended for three (3) months to a revised expiration date of March 31, 2030.

Rationale: As staff has learned, the transition between concessionaire contracts – especially for food and beverage operators – is complicated and time-consuming, and results in reduced service, choice and options for passengers, tenants and others working within the Terminal Complex. A much more logical turn-over date would be midnight March 31, 2030/April 1, 2030, which would occur in the slower late-winter/early spring period.

Passengers, future concessionaires and Port staff would benefit from this change in the expiration date.

Item 3: Add the Commissary Kitchen in Terminal 1 to the Definition of Assigned Space in the *Space/Use Permit* with SSP:

Proposal: Add 1,636± square feet of Commissary Kitchen (identified as newly numbered Unit No. T1-FB-1A) to SSP's Assigned Space at the Category VIII Concessions Support Space Rate (\$5.897 per square foot per month for FY2019-20 pursuant to Port Ordinance No. 4526) of \$9,648 per month. The Rent Commencement Date for the Commissary Kitchen would be January 1, 2020.

Rationale: Unit T1-FB-1 was originally shown in the RFP as 3,026± gross square feet, including Back-of-House ("BOH"). During the RFP process, the Port reduced the size to 1,390± square feet for the actual concession space. The remaining 1,636± BOH is used as a Commissary Kitchen by SSP and must be incorporated into its Assigned Space. (Areas illustrated on Attachment "C")

Item 4: Add an Option for the Port to Utilize Concessionaires' Architect/Contractor-Produced As-Built Drawings to Establish Square Footage of Units:

Proposal: The Port should have an additional option of using the square footage provided by the Concessionaires' architect/contractor on the "as-built" drawings to use for calculating MAG.

Rationale: The RFP includes drawings of each Unit with square footage based on the previous operators and/or as re-measured by hand. These areas are accurate, but not precise. These drawings are incorporated into each *SUP* and are used in the calculation of MAG for each Unit.

In addition, as the new Concessionaires complete their designs, in some cases, the Port is offering additional space to be captured.

As currently drafted, the defined area of each Unit is either what is incorporated into the *SUP*, or the Port has the right to measure the "as-built" size of the Unit, which would necessitate hiring an architect.

Since the architect/contractor for each Unit will be providing "as-built" drawings, which will include a calculated square footage, Staff is recommending that

using this square footage be an option for calculating MAG. The Port would not waive its right to still measure the “as-built” size of each Unit.

This should provide more accurate size of all Units and calculation of MAG.

Items 5 & 6: Formally Incorporate into the HFF and SSP SUPs the New Units to be Constructed within the Soon-to-be-Demolished Terminal 2 Moving Walkway:

Proposal: At the time of the award of Packages #1 and #2, demolition and removal of the Terminal 2 moving walkway was still in the planning stage. Since then, the Board has approved the project to remove both moving walkways, which will clear the way for activation of this area for desperately needed food and beverage concessions. Staff recommends that:

- The HFF SUP be amended to formally incorporate Unit T2-FB-C2-1 as the future home of Subway to be operated by ACDBE subtenant NNF Grewal; and,
- The SSP SUP be amended to formally incorporate Unit T2-FB-C2-2 as the future home of The District.

Rationale: This is a “clean-up” item to clarify any potential misinterpretation of the SUP; there is no objection from either HFF or SSP.

Item 7: Confirm Commencement Date of Required Payments into Marketing Fund:

Proposal: The F&B RFP and the SUP require payment by all Concessionaires into a “Marketing Fund” that supports the food and beverage program at the Airport and to be administered by the Port. The required payment equates to 0.5% of Gross Sales per Unit.

Pursuant to each SUP, payment into the Marketing Fund begins on the Rent Commencement Date; therefore, during the Interim Term (expiring December 31, 2019), the Port has not charged for the Marketing Fund.

However, regardless of any proposed extension to the Rent Commencement Dates discussed in Item 8 below, effective January 1, 2020, Concessionaires will be required to calculate and submit the applicable payment(s) into the Marketing Fund.

Rationale: Port Staff is already working on marketing programs that will benefit all Concessionaires. Despite any delays in redevelopment of the Units, the marketing program must get underway.

Item 8: Confirm Commencement Date of Required Payments into Refurbishment Fund:

Proposal: The F&B RFP and the SUP require payment by all Concessionaires into a “Refurbishment Fund” to establish a significant pool of money available for Concessionaires to complete their required Midterm Refurbishment* projects that must start five years into the SUPs ten-year term. The Minimum Mid-Term Amount required to be spent on a per-Unit basis is \$150 per square foot, and the monthly payment into the Refurbishment Fund is 1/60th of that total. With

approximately 30,000 square feet of Food & Beverage Concessions Space, after five years, the Refurbishment Fund will have about \$4.5 million held in “escrow” by the Port to reimburse the Concessionaires as they complete their Midterm Refurbishment projects.

Pursuant to each *SUP*, payment into the Refurbishment Fund begins on the Rent Commencement Date; therefore, during the Interim Term (expiring December 31, 2019), the Port has not charged for the Refurbishment Fund.

However, regardless of any proposed extension to the Rent Commencement Dates discussed in Item 8 below, effective January 1, 2020, Concessionaires will be required to commence payment(s) into the Refurbishment Fund.

Furthermore, because no Units will have been constructed and no “as-built” drawings prepared, effective January 1, 2020, the Concessionaires’ payments into the Midterm Refurbishment Fund will be based on the known square footage as defined in the F&B RFP. Effective January 1, 2021, after Units are constructed and “as-built” drawings delivered to the Port, Concessionaires’ payments into the Midterm Refurbishment Fund will be adjusted (increase or decrease on a per-Unit basis) based on the “as-built” drawings or as the Port may determine by measuring the Unit (pursuant to Paragraph D.2 of the *SUP*).

*“Midterm Refurbishment” requires the Concessionaires to “refurbish, redecorate and modernize the interior and exterior of the public area of each Concession Unit”. It does not include normal maintenance or wear and tear.

Rationale: The time frames within the *SUP* for the Concessionaires to commence planning and construction of the mid-term refurbishment will not be changed by extending the Rent Commencement Date(s); therefore, it is appropriate for the Concessionaires to start making payments into the Refurbishment Fund effective January 1, 2020.

Item 9: Extend the Rent Commencement Date from Uniform January 1, 2020 for All Concessionaires to a Unit-by-Unit Basis with Earliest Rent Commencement Date of May 1, 2020 and Latest of October 1, 2020:

Proposal: The F&B RFP and the *SUP* states: “The Rent Commencement Date for each Concession Unit is the earlier of (i) the date on which the Permittee’s Work... is substantially complete and Permittee opens for business... or (ii) January 1, 2020.” Due to Staff establishing an overly-aggressive schedule, the proposed transition and redevelopment of all Units will not be completed by calendar year-end 2019, but will stretch into mid-2020 with the bulk of Units open by July 1, 2020. Staff is recommending phased, Unit-by-Unit Rent Commencement Dates stretching from May 1, 2020 to the latest of October 1, 2020; the specific Rent Commencement Date for each Unit is shown on Attachments “A” and “B” and as follows:

Concessionaire	Unit Concept	Rent Date
SSP	Pre-Security Briggo	June 1, 2020

HFF	Oaklandish	July 1, 2020
SSP	Oakland A's	October 1, 2020
Soaring	Luka's	June 1, 2020
HFF	A-16	June 1, 2020
SSP	Peet's – Gate 9A	May 1, 2020
HFF	Farley's	June 1, 2020
Rylo	Tay Ho Oakland	June 1, 2020
SSP	Cosecha Market	October 1, 2020
HFF	The Hangar	July 1, 2020
HFF	Subway	May 1, 2020
SSP	District	June 1, 2020
SSP	Peet's – Gate 26	July 1, 2020
SSP	Sierra Nevada	July 1, 2020
HFF	Calavera	October 1, 2020
HFF	Southie	July 1, 2020
HFF	Artisan Market	June 1, 2020

Rationale: In March 2018, after the two-day Open House events, Staff followed up with potential F&B RFP Respondents with updates; at that time, the following schedule was presented:

Outreach Meetings	February 2018
Board Approval of RFP Business Terms	April 12, 2018
RFP Issued	Mid-April 2018
Pre-proposal Meeting	Late April 2018
Proposals Due to Port	Early July 2018
Proposer Interviews	Mid-August 2018
Proposers Selected	End August 2018
Board Meeting and Contract Awards	End September 2018
Design and Construction Documents	Oct 2018 –Jan 2019
Construction of New Units Begin	February 1, 2019
All Units Open	January 2020

In retrospect, this schedule was overly optimistic and unattainable:

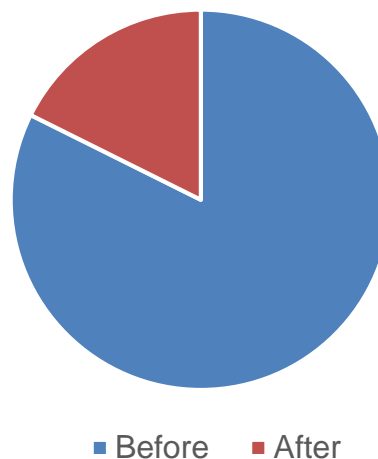
- The F&B RFP was released on May 4, 2018, with Proposals due July 27, 2018, and the Board's first reading of Ordinance No. 4498 on October 11, 2018. Because of the protest lodged by MERA Oakland LV, the *SUPs* were not effective until December 12, 2018 or three (3) months later than anticipated.
- With the protest and in the absence of effective *SUPs*, the Concessionaires did not re-start designing the Units until January 2019. Advancing through

the 30%-60%-90% Design Review Process (Attachment “D”) is taking at least six (6) months per Unit vs. anticipated four (4) months, and obtaining City and Port Permits will take a minimum of four (4) months vs. anticipated one (1) month.

- Closing/Opening Dates of Units must be coordinated so that food and beverage options are always available to passengers throughout each terminal. For example, as illustrated on Attachment “A” and listed on Attachment “B”, Luka’s, the Gate 9A Peet’s Coffee, and A-16 Pizzeria are all scheduled to be open by June 1, 2020. Thereafter, the old Chili’s will close for four (4) months so that it will be redeveloped into the Oakland A’s Clubhouse. Similar coordination is occurring throughout the Airport. These overlapping Closing/Opening Dates were not fully incorporated into Staff’s anticipated schedule.

Finally, consideration must also be given to the concessions employees. Specifically, staggering the Closing/Opening Dates allows the Concessionaires to maintain employment levels; simultaneously closing multiple units would result in significant furloughs of concessions employees.

Units Opening Before/After July 1, 2020

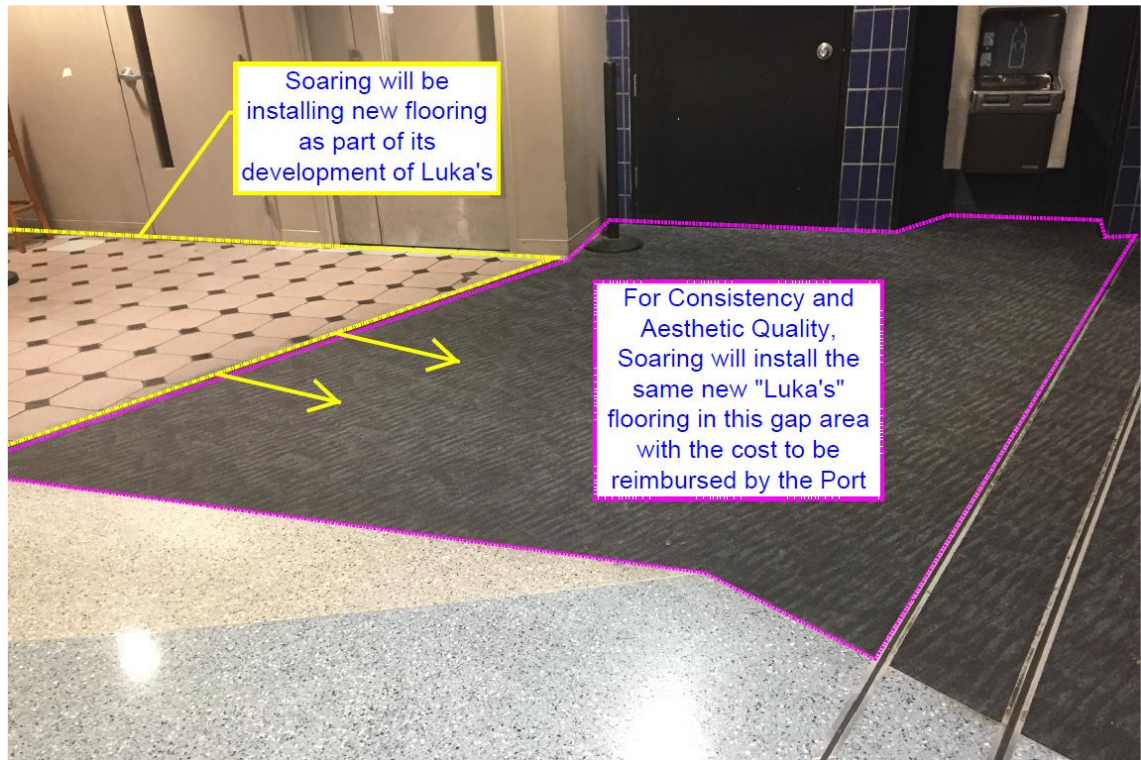


Trade-Off: Extending the Rent Commencement Date on a Unit-by-Unit basis, from four (4) months to up to nine (9) months will provide the Concessionaires with adequate time to complete the Design Review Process, obtain City Permits and construct their improvements while also providing multiple food and beverage options for passengers and protecting the maximum number of concessions employees.

Conversely, if the Concessionaires fail to open by the proposed extended Rent Commencement Dates, Concessionaires will be required to commence payment of MAG on each unopened Unit.

Item 11: Delegate to Aviation Director the Authority to Approve Reimbursement for Concessionaires to Construct and/or Install Certain Port-Obligated Improvements Outside the Assigned Space, at an Amount Not to Exceed \$100,000 per Unit:

Proposal: The F&B RFP and the *SUP* state that the Port is required to provide utility connections to the Assigned Space. In certain instances, where such utilities are not present, it makes sense for the Concessionaire's contractor to extend the off-premises utilities to the point of connection. In other cases, there are off-premises improvements to Port spaces that would complement the concourse, but are too small or time-consuming for the Port to complete. Below is an example showing where Soaring will continue its Luka's flooring onto Port common space and will improve the aesthetic presentation of the area:



Staff is recommending the Board delegate to the Director of Aviation the authority to approve Concessionaire-constructed improvements for small Port-required projects, at a cost not to exceed \$100,000 per Unit, and subsequently reimburse the Concessionaire through a rent credit (subject to normal reimbursement provisions including proof-of-expense and payment documentation and approval of construction by Port Engineering).

Rationale: Concessionaires' contractors will be on-site constructing utilities and tenant improvements; from an efficiency and cost-benefit standpoint, it makes sense for these contractors to also construct/install off-premises improvements and then have the Port reimburse the Concessionaires through rent credits.

Trade-Off: This would be cost-neutral to the Concessionaires, and the Port would efficiently provide off-premises improvements it is responsible for providing or chooses to provide for aesthetic reasons.

Item 12: Concessionaires' Facility and Equipment Maintenance Plan:

Proposal: The F&B RFP and the *SUP* require the Concessionaires to maintain their Units; however, there is no affirmative requirement to provide a detailed Facility and Equipment Maintenance Plan.

Staff is recommending the Concessionaires be required to prepare and submit a detailed Facility and Equipment Maintenance Plan, and if approved by the Port, incorporate into the *Amendment* as an exhibit.

Rationale: Both the Concessionaires and the Port should have clear expectations of when and how facilities and equipment will be maintained. In addition, with detailed schedules, Port staff can more efficiently manage the process.

Item 13: Authorize Concessionaires' Installation of Game and Vending Machines:

Proposal: The *SUPs* prohibit the installation of "games" and "vending machines" within the Premises. HFF is requesting a waiver from the prohibition from installing games in its Hangar Unit so it may place foosball tables for entertainment. In addition, HFF and SSP are requesting a waiver from the prohibition of installing "vending machines" in their Pre-Security Units so that automated specialty coffee and food vending machines may be incorporated. Staff recommends these waivers.

Rationale: The Hangar – as proposed by HFF – is a multi-concept space (Brown Sugar Kitchen, Drakes Brewing, and Red Bay Coffee) with significant seating, a conversation fireplace and foosball tables, which will contribute to the ambiance of the Unit.

Both HFF and SSP have proposed substituting fully-staffed specialty coffee service/baristas at their Pre-Security Units with innovative, automated specialty coffee machines. In addition, HFF has proposed installing automated fresh food vending machines in its Pre-Security Units.

Both units would be staffed during busy times:

- HFF's Artisan Market with Café X: 3:30 a.m. to 7:30 p.m.
- SSP's Peet's/Sierra Nevada with Briggo: 6:00 a.m. to 10:00 p.m.

UniteHere does not object to HFF substituting staffed positions with automated coffee and food vending machines.

Trade-Off: Currently, there is a dearth of after-hours, pre-security food options. Having the option of specialty coffee and fresh food in automated vending machines would provide a valuable amenity for over- and late-night passenger, tenants and employees.

Item 14: Require Concessionaires to Provide Detailed Quarterly Reports:

Proposal: Concessionaires are currently required to provide monthly sales reports used to calculate percentage of gross sales due to the Port. Staff is recommending that Concessionaires also be required to prepare and provide a more detailed quarterly report that includes (but not limited to): Gross Sales; Average Revenue per Enplanement ("RPE"); Average Check Amount; Sales vs. RPE graphic; Transactions vs. Labor Hours on an hourly basis; Top Item Sales (minimum of five items) by dollar amount and number of that item sold; and, any other information Concessionaires feel would be helpful to share with the Port.

Rationale: The currently-required monthly sales report provides minimal information necessary for the Port to collect revenue. The proposed additional information will allow the Port to analyze specific product, sales per hour, staffing utilization, etc., to confirm that Concessionaires are maximizing sales, passenger demand, and labor efficiency.

Item 16: Amend SSP's *SUP* to Provide an Exception to the Tenant Design Standards ("TDS") by Allowing a Door Between the Sterile Area and Kitchen to Remain Unlocked During Operating Hours:

Proposal: SSP has designed Unit T2-FB-G27 (Peet's Coffee near Gates 26 & 27) with a door to the Back-of-House immediately adjacent to the Sterile Area. SSP has requested, and Aviation Security has agreed, to allow this design to be constructed as an exception to the TDS. The exception will (i) require SSP to not allow any TSA Prohibited Items to be present in the Assigned Space; (ii) include significant security enforcement provisions; and (iii) specify requirements if SSP chooses to introduce TSA Prohibited Items into the Assigned Space in the future (including modifications to the Assigned Space to comply with original TDS and/or *SUP*).

Rationale: SSP confirms that it can operate its Peet's Coffee concept without using any TSA Prohibited Items and is willing to amend its *SUP* rather than redesign this Unit. All risk remains with SSP if TSA Prohibited Items are introduced and found in the Unit.

BUDGET & STAFFING

During the 11-Month Interim Term, Concessionaires are required to pay the Port percentage of gross revenues as detailed in Paragraph II.F.1 in the Background Section. Based on percentage of gross revenues the Concessionaires have been paying since the February 1, 2019 transition, total percentage of gross payments to the Port are averaging approximately \$409,000 per month.

Commencing January 1, 2020, the *SUPs* require the Concessionaires to pay the higher of MAG (as detailed in Paragraph II.F.2 in the Background Section) or percentage of gross revenues on a unit-by-unit basis. Total MAG is \$395,808; however, the higher of MAG or percentage of gross revenue would generate approximately \$504,000 per month.

Extending the Rent Commencement Dates for each Unit as they are completed as recommended in Item 9 above, and assuming percentage of gross revenues remain fairly constant, would result in the Port receiving approximately \$95,000 less in monthly revenue through the balance of FY2019-20. Anticipated revenue for the balance of FY2019-20 would be \$2.454 million.

Average Monthly Percentage of Gross Revenues	\$409,000
Average Monthly Higher of MAG vs. Percentage of Gross Revenues (Unit-by-Unit)	\$504,000
Monthly Shortfall by Delaying MAG Rent Commencement Date	(\$95,000)

AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) applies to these tenant projects to the extent the Port will be issuing building permits for such work.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

- Goal: Grow Net Revenues
- Goal: Improve Customer Service
- Goal: Modernize and Maintain Infrastructure

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), apply to the *Space/Use Permit* with both SSP America and High Flying Foods as these tenants employ 21 or more employees working on Port-related work and the tenancy agreement is greater than \$50,000.

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply to the *Space/Use Permit* with either Rylo, Soaring Foods Group or NNF Grewal, Inc. (subtenant of High Flying Foods operating Subway) as individually these tenants do not employ 21 or more employees working on Port-related work. However, each tenant will be required to certify that should living wage obligations become applicable, the tenant shall comply with the Living Wage Regulations.

The proposed *Amendments* make no changes to the Living Wage requirements.

SUSTAINABILITY

Each *SUP* references the Board-adopted Resolution No. 20467: Resolution Implementing Port Sustainability Policy and incorporates a “Green Concessions Program” as detailed in the attached Exhibit “C”. In addition, the Tenant Design Standards (also incorporated into the *SUPs*) contains detailed sustainability and LEED requirements.

OAK’s updated Food & Beverage Program and each *SUP* requires the Concessionaires to implement specific actions and investments related to: appliance selection, cleaning methods and products, construction and demolition waste management, energy efficiency and performance, food donation, HVAC equipment, indoor air quality, lighting, materials selection, resource use, service ware and supplies, waste reduction, waste receptacles, and water performance.

The proposed *Amendments* make no changes to the Sustainability requirements.

ENVIRONMENTAL

The Board’s previous action to accept the Evaluation Committees’ recommendation of Concessionaires and approving entering into the *SUPs* was determined to be exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 “Existing Facilities” of the CEQA Guidelines which exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency’s determination. Approval of the Concessionaires falls within this class of exemptions. No additional environmental review is required to take the action recommended in this Agenda Report.

GENERAL PLAN

Pursuant to Section 727 of the City of Oakland Charter, this project has been determined to conform to the policies for the transportation designation of the Oakland General Plan.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

This project is not subject to the Port’s Owner Controlled Insurance Program (OCIP) as it is not a capital improvement construction project.

OPTIONS

1. Approve an *Amendment to Space/Use Permit* with each of the new Food & Beverage Concessionaires – HFF Oak Venture, LLC; Rylo Management, LLC; Soaring Food Group, LLC; and, SSP America OAK, LLC – to amend each *Space/Use Permit* that would:
 - A. Increase the Benefit Fee from 3% to 5%;
 - B. Extend the Term by three (3) months;
 - C. Add 1,636± Square Feet to SSP’s Assigned Space at an Initial Monthly Rent of \$9,648;

- D. Augment method of calculating the square footage of the Assigned Space;
- E. Incorporate the spaces to be constructed within the footprint of the moving walkway between Gates 25 and 26 into the *SUPs* for HFF (Subway) and SSP (District);
- F. Confirm the required contributions toward the Marketing Fund and the Refurbishment Fund will commence January 1, 2020;
- G. Revise the Rent Commencement Date for each Unit from January 1, 2020 to various later dates not to extend beyond October 1, 2020;
- H. Delegate to the Director of Aviation the authority to reimburse through rent credits for certain Port-required improvements to be constructed by Concessionaires in an amount not to exceed \$100,000 per Unit;
- I. Require each Concessionaire to develop a detailed Facility and Equipment Maintenance Plan to be attached as an exhibit to the proposed *Amendment*;
- J. Allow an exception to the prohibition in the *SUP* prohibiting use of games or vending machines (applicable so that HFF may install foosball tables in "The Hangar" Unit, so that HFF and SSP may each install an automated specialty coffee machine in their pre-security Unit);
- K. Require each Concessionaire to develop, produce and deliver to the Port a detailed Quarterly Business Report; and,
- L. Preclude SSP from allowing TSA Prohibited Items within its Peet's Coffee near Gates 26 & 27 to accommodate its proposed design of Unit No. T2-FB-G27.

And also authorize the Executive Director to execute each *Amendment to Space/Use Permit* and other documents that may be necessary to effect these proposed modifications, tenancies and operations.

This is Staff's recommendation.

2. Do not approve any or all of the proposed changes to the existing *Space/Use Permits* with the four new Food & Beverage Concessionaires which would:
 - A. Require payment of Minimum Annual Guarantee to commence January 1, 2020 even though none of the Units will have been redeveloped and opened;
 - B. Force the Concessionaires to absorb more of the increased per-employee wage and benefits costs;
 - C. Require the Port to design and construct required off-premises improvements to benefit the Units and/or common areas;
 - D. Not allow HFF to install foosball machines, and not allow HFF or SSP to install automated coffee/food vending machines.

Such action would cause financial hardship for the Concessionaires and would require HFF and SSP to redesign their pre-security Units.

3. Reject some or all of Staff's proposed modifications to the Concessionaires' *SUPs* as detailed above, recommend alternative changes, and instruct Staff to renegotiate each Amendment to Space/Use Permit.

RECOMMENDATION

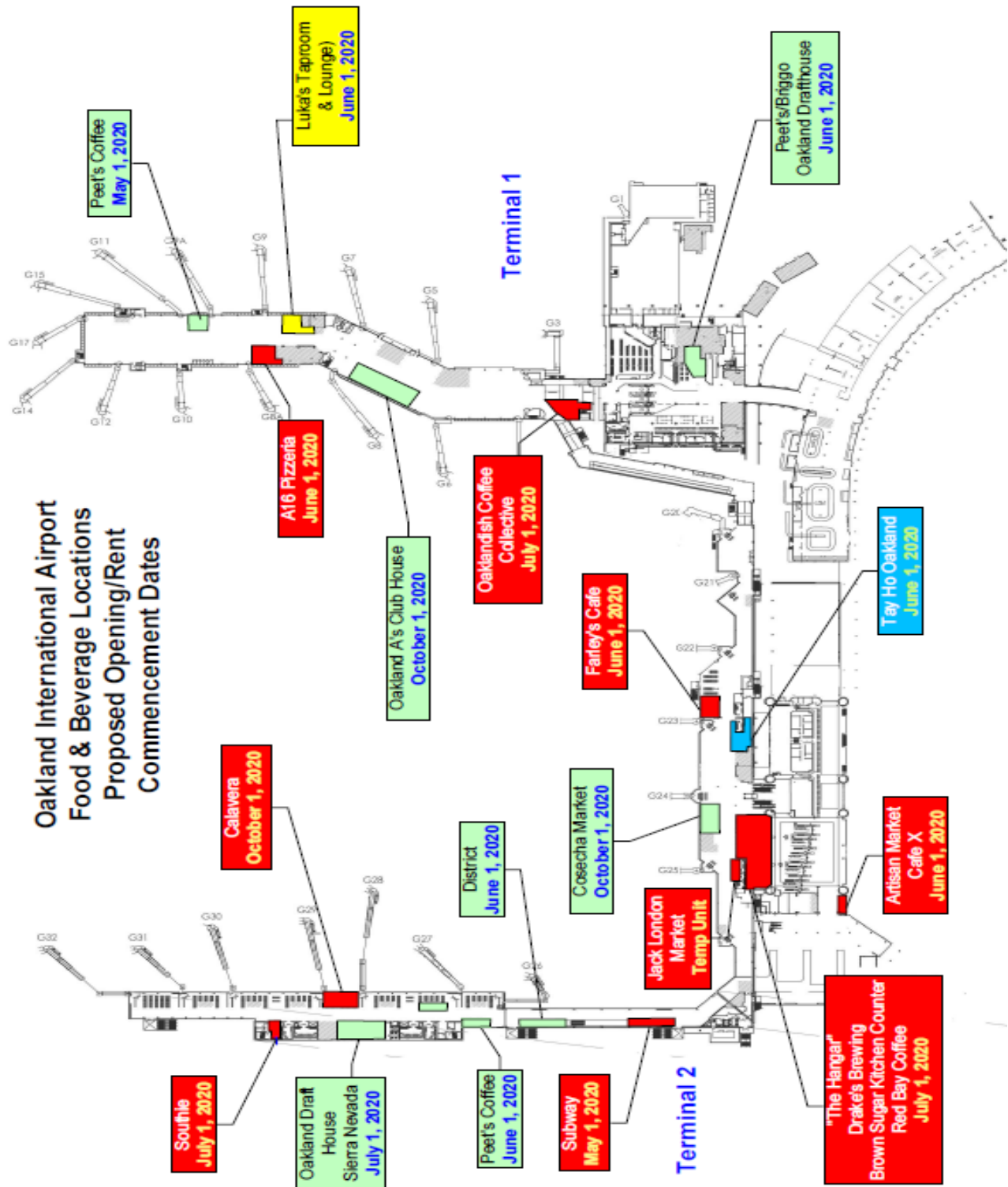
It is recommended that the Board adopt an ordinance:

- Approving the terms and conditions of each proposed *Amendment to Space/Use Permit* with HFF Oak Venture, LLC; Rylo Management, LLC; Soaring Food Group, LLC; and, SSP America OAK, LLC – to amend their *Space/Use Permits* to:
 - Increase in the Benefit Fee from 3% to 5%;
 - Extend the Term by three (3) months;
 - Add 1,636± Square Feet to SSP's Assigned Space at an Initial Monthly Rent of \$9,648;
 - Augment method of calculating the square footage of the Assigned Space;
 - Incorporate the spaces to be constructed within the footprint of the moving walkway between Gates 25 and 26 into the *SUPs* with HFF (Subway) and SSP (District);
 - Confirm the required contributions toward the Marketing Fund and the Refurbishment Fund will commence January 1, 2020;
 - Revise the Rent Commencement Date for each Unit from January 1, 2020 to various later dates not to extend beyond October 1, 2020;
 - Delegate to the Director of Aviation the authority to reimburse through rent credits for certain Port-required improvements to be constructed by Concessionaires in an amount not to exceed \$100,000 per Unit;
 - Require each Concessionaire to develop a detailed Facility and Equipment Maintenance Plan to be attached as an exhibit to the proposed *Amendment*;
 - Allow an exception to the prohibition in the *SUP* prohibiting use of games or vending machines (applicable so that HFF may install foosball tables in "The Hangar" Unit, so that HFF and SSP may each install an automated specialty coffee machine in their pre-security Unit);
 - Require each Concessionaire to develop, produce and deliver to the Port a detailed Quarterly Business Report; and,
 - Preclude SSP from allowing TSA Prohibited Items within its Peet's Coffee near Gates 26 & 27 to accommodate its proposed design of Unit No. T2-FB-G27
- Authorizing the Executive Director to execute each *Amendment to Space/Use Permit* and any other documents necessary to effect these proposed modifications;

Subject to approval by the Port Attorney as to form and legality.

Attachment "A"

Terminal Map with Concepts and Opening/Rent Commencement Dates



Attachment “B”
2020 Food & Beverage Concessions Program
Proposed Modifications: *Amendment to Space/Use Permit*
Effective January 1, 2020

	SUP Paragraph/Section	Concessionaire¹	Current Provision	Proposed Modification²
1	Paragraph B.4(a) – Pricing	All	“Permittee may charge customers a separate three percent (3%) benefits surcharge line item to defray costs of employee benefits...”	<p>Increase benefits surcharge to five percent (5%) from three (3%), effective on the first day of the month following opening of each individual Unit. If Concessionaire’s POS System cannot accommodate the 3% vs. 5% Benefits Fee for each completed Unit, then the effective date of the increase will be the last opening date of the final completed unit.</p> <p>Tradeoffs:</p> <ul style="list-style-type: none"> • Concessionaires must offer and advertise: <ul style="list-style-type: none"> ○ “Value Menu” at initial price of no more than \$10 per meal (minimum inclusion of entrée and drink) at all units; and, ○ Rotating “Deal-of-the-Day” at a \$15 price point for entrée and drink. ○ Each January 1st commencing January 1, 2021, Concessionaires may request to the Director of Aviation an increase in the price of the “Value Menu” and the “Deal-of-the-Day”, which may or may not be approved at Port’s sole discretion. • Concessionaires must contribute toward the cost of employee transportation/parking (Concessionaires and Labor Representatives to determine method of payment).

¹ HFF Oak Venture, LLC (“HFF”); Rylo Management, LLC; Soaring Food Group, LLC; and, SSP America OAK, LLC (“SSP”).

² In **BLUE** font indicates concept presented to the Board in Concessions Update in open session on July 25, 2019

	SUP Paragraph/Section	Concessionaire¹	Current Provision	Proposed Modification²
2	Paragraph C - Term	All	"The Primary Term shall commence on January 1, 2020 and shall expire at 11:59 PM Pacific Time on December 31, 2029."	We should not have included an expiration date within the Christmas/New Year's holiday period. Because of later opening dates (whomever may be responsible for delay), the expiration date of the Primary Term will be extended to March 31, 2030.
3	Paragraph D.2 – Assigned Space	SSP	"The Assigned Space does not include any storage and/or support space rented for additional consideration under a separate Space/Use Permit or other agreement with the Port."	Unit T1-FB-1 was originally shown in the RFP as 3,026 gross square feet, including Back-of-House ("BOH"). During the RFP process, the Port reduced the size to 1,390 square feet for the actual concession space. The remaining 1,636 square feet of Commissary Kitchen (to be identified as Unit T1-FB-1A) has not been incorporated into SSP's SUP. This area must be added and will be charged at the Concessions Support Space Rate (defined in Rates and Charges and currently \$5.897 per square foot per month pursuant to Port Ordinance No. 4526 for FY2019-20).
4	Paragraph D.2 – Assigned Space – As-Built Condition	All	"Port shall have the right... to measure the "as-built" size of that Concession Unit... The Minimum Annual Guaranty...applicable to that Concession Unit shall be recalculated by multiplying such "as-built" size... by the rate per square foot specified in Exhibit "5".	Rather than commissioning our own measurement of the "as-built" size of a Concession Unit, it seems like the Port should have an additional option of using the square footage provided by the Concessionaires' architect/contractor on the "as-built" drawings to use for calculating MAG. If the Port uses the square footage of each Unit provided by the architect/contractor, the Port does not waive its right to measure the Assigned Space at any time as contemplated by Paragraph D.2.
5	Paragraph D.4 – Unit T2-FB-C2-1	HFF	Proposed Unit within the area of the existing moving walkway.	HFF must formally confirm that Unit T2-FB-C2-1 (Subway) is incorporated within the definition of Assigned Space.

	SUP Paragraph/Section	Concessionaire¹	Current Provision	Proposed Modification²						
6	Paragraph D.4 – Unit T2-FB-C2-2	SSP	Proposed Unit within the area of the existing moving walkway.	SSP must formally confirm that Unit T2-FB-C2-2 (District) is incorporated within the definition of Assigned Space.						
7	Paragraph E.2(b) – Marketing Fund	All	“...Permittee shall pay to the Port 0.5% of Gross Receipts for a collective... Marketing Fund...”	Concessionaires’ payment into the Marketing Fund commences January 1, 2020.						
8	Paragraph E.2(c)	All	“...Permittee shall pay on a monthly basis to the Port 1/60 th of the Minimum Mid-Term Amount... referred to as the “Refurbishment Fund.”	Concessionaires’ payment into the Refurbishment Fund commences January 1, 2020. Note: for calculation of the Refurbishment Fund, the area of each Concession Unit shall be the square feet specified in Exhibit “5” for billing to commence January 1, 2020. On a per-unit basis, the <i>Amendment</i> will include a table specifying the total Minimum Mid-Term Amount and the corresponding monthly amount to be paid to the Port. As noted in Item 4, and pursuant to Paragraph D.2, the size of the Concession Unit is subject to adjustment based on the “as-built” size. Effective with billing to commence January 1, 2021, the Port will adjust the Minimum Mid-Term Amount based on the “as-built” size and notify each Concessionaire by providing a revised table.						
9	Paragraph E.3 – Rent Commencement Date	All	“The Rent Commencement Date for each Concession Unit is the earlier of (i) the date on which the Permittee’s Work... is substantially complete and Permittee opens for business... or (ii) January 1, 2020.	<div>Based on the latest available construction schedules provided by the Concessionaires and further analysis by Port Staff, the Rent Commencement Date for each Unit shall be the earlier of (i) the date on which Permittee’s Work... is substantially complete and Permittee opens for business or (ii) the following dates:</div> <table><tr><th>Unit Concept</th><th>Rent Date</th></tr><tr><td>Pre-Security Briggo</td><td>June 1, 2020</td></tr><tr><td>Oaklandish</td><td>July 1, 2020</td></tr></table>	Unit Concept	Rent Date	Pre-Security Briggo	June 1, 2020	Oaklandish	July 1, 2020
Unit Concept	Rent Date									
Pre-Security Briggo	June 1, 2020									
Oaklandish	July 1, 2020									

	SUP Paragraph/Section	Concessionaire ¹	Current Provision	Proposed Modification ²																														
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10	Paragraph E.4 – Remitting Payments	All	“All payments de under this Permit shall be remitted to... Credit to: Port to update bank info”	Correct Remittance Address: Union Bank 122000496 Wire ABA/ACH Routing #122000496 In favor of: Port Department of the City of Oakland Account # 0113080519																														
11	Section 1(2)(g) – Construction of Improvements in Assigned Space	All	“...Permittee shall be entitled, on the issuance of a credit memorandum by Port to Permittee, to be reimbursed for Permittee’s actual out of pocket costs of the Removal and Utility Service Connection by having such costs credited against the next payments of Rent...”	In addition to utility connections, there are certain other improvements that the Port would normally be required to construct and/or install, but wishes the Concessionaires to design and construct, and then be reimbursed through a credit memorandum. Examples include (but not limited to): flooring in common areas adjacent to the Assigned Space, demising walls/fencing within storage areas, ceiling finishes, etc.																														

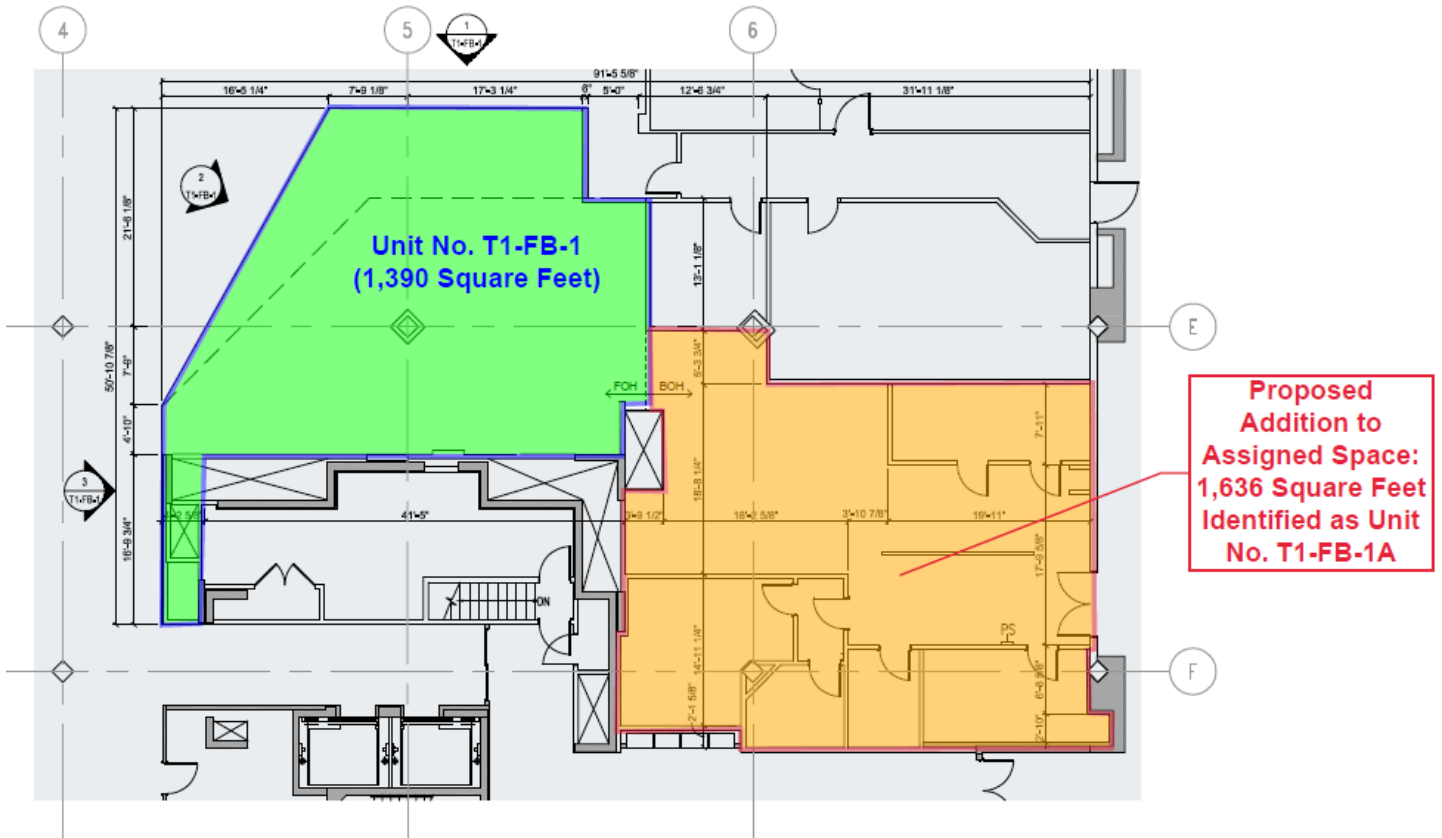
	<i>SUP</i> Paragraph/Section	Concessionaire ¹	Current Provision	Proposed Modification ²
				<p>Either the Concessionaire or the Port may suggest the proposed improvement with the Concessionaire not obligated to design and construct the improvement and with approval rights resting solely with the Port. The Port's offer to reimburse Concessionaires for these other improvements is <u>not</u> to be construed as a substitute for any improvements Concessionaires are obligated to construct and/or install as part of the redevelopment of the Assigned Space.</p> <p>Staff to request Board to authorize Executive Director to approve credit memo/rent credit in an amount not to exceed \$100,000 per Unit.</p>
12	Section 3. Maintenance and Repair of Assigned Space	All	"...Permittee agrees that during the Term of this Permit, at its own cost and expense, it shall keep and maintain the Assigned Space in clean and first-class order and repair..."	<p>Tab C of each Concessionaire's Proposal set forth a Facility and Equipment Maintenance Plan. With the exception of SSP's Proposal which includes a basic calendar, in most cases, each Facility and Equipment Maintenance Plan is narrative in nature without detailed schedule of activities. Concurrent with its return of the executed <i>Amendment</i>, each Concessionaire must prepare a detailed – and enforceable – monthly maintenance schedule – to be reviewed and approved by the Port – and then attached to each <i>Amendment</i> as an exhibit. Specifically, see also Sections 4.(13) – Grease Traps; 4.(14) – Exhaust Hood Cleaning and Testing; and, 4.(16) – Sewer and Grease Waste Piping. At a minimum, Concessionaires must clean and inspect exhaust hoods at least quarterly – every three (3) months – and the Ansul system must be serviced at least two (2) times per year. For efficient use of Port Staff time and resources, and in cooperation with the Concessionaires, the Port will establish fixed dates for</p>

	<i>SUP</i> Paragraph/Section	Concessionaire ¹	Current Provision	Proposed Modification ²
				this work to be scheduled and completed (e.g., the first (1 st) Tuesday of the second (2 nd) month of each calendar quarter, knowing that not all work will be completed in a single day and such work will need to be scheduled for multiple days).
13	Section 4.(7)(c) Other Operational Requirements	HFF, SSP	"...Permittee shall not... use or permit the use on the Assigned space of any... pinball machines, videogames, computer or electronic games, or... vending machines... or other coin, token, or credit-card operated devices..."	<p>HFF's Proposal for The Hangar (Unit T2-FB-G25) includes foosball tables; the <i>Amendment</i> will permit the placement of these interactive entertainment features.</p> <p>The Port has authorized the use of automated specialty coffee machines to be installed in the pre-security locations by HFF (Unit T2-FB-1) and SSP (Unit T1-FB-1). Each <i>Amendment</i> will specifically authorize the installation of these automated specialty coffee machines. NOTE: The Port "approved" the automated specialty coffee machines with the understanding that if they do not provide the promised customer service, then the Port has the right to require a fully-staffed coffee café; this requirement will be incorporated into each <i>Amendment</i>.</p> <p>UniteHere does not object to HFF substituting staffed positions with automated coffee and food vending machines.</p>
14	Section 13.(3) Percentage Fees	All	"On or before the fifteenth (15 th) day of each calendar month during the Term hereof,... Permittee shall deliver to Port's finance department a report (the "Sales Report")... segregated by each source or general type of article sold or service rendered, or in such	In addition to the monthly Sales Report required by this Section, Concessionaires will be required to provide a Quarterly Business Report substantially in the form currently prepared by SSP and as attached to this table. The Quarterly Business Report must be delivered to the Port within thirty (30) days following the end of each calendar quarter, with the first Quarterly Business Report due after the First (1 st)

	<i>SUP</i> Paragraph/Section	Concessionaire ¹	Current Provision	Proposed Modification ²
			other manner as the Port shall direct..."	Quarter of 2020 (i.e., by the end of April 2020). Significant information to be provided on a per Unit basis in this Quarterly Business Report includes (but not limited to): Gross Sales; Average Revenue per Enplanement; Average Check Amount; Sales vs. RPE graphic; Transactions vs. Labor Hours on an hourly basis; Top Item Sales (minimum of five items) by dollar amount and number of that item sold; and, any other information Concessionaires feel would be helpful to share with the Port.
15	Exhibit "2"	All	Paragraph B.(1) and Section 1.2.(a) references Concessionaires' requirement to prepare a "Transition Plan" within sixty (60) days from the Commencement Date.	No Concessionaire has submitted a Transition Plan for the Port's review and approval. Concurrent with its return of the executed <i>Amendment</i> , Concessionaires to produce and deliver to the Port the required Transition Plan.
16	Tenant Design Standards – Section 10.2.h.iii	SSP	"Door between Sterile Area and kitchens must be on Airport's access control system or Cyberlock. If Cyberlock, then lock must function in "storeroom" mode (always locked/key required to open)."	SSP has designed Unit T2-FB-G27 (Peet's Coffee) with a door to the Back-of-House immediately adjacent to the Sterile Area. SSP has requested, and the Port has agreed, to allow this design to be constructed as an exception to the TDS. The <i>Amendment</i> will (i) require SSP to not allow any TSA Prohibited Items to be present in the Assigned Space; (ii) include significant security enforcement provisions; and (iii) specify requirements if SSP chooses to introduce TSA Prohibited Items into the Assigned Space in the future (including modifications to the Assigned Space to comply with original TDS and/or <i>SUP</i>).

Attachment "C"

Proposed Addition to Assigned Space for SSP America OAK, LLC



Attachment “D”

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