PLTR-SSP@KCI, LLC

Paradies Lagardere and SSP America 2849 Paces Ferry Road | Overlook I, Suite 400 | Atlanta, GA 30339

September 21, 2021

The Honorable Quinton Lucas Mayor of Kansas City, Missouri 414 East 12th Street, 29th Floor, City Hall Kansas City, Missouri 65106 Quinton.Lucas@kcmo.org SENT VIA ELECTRONIC MAIL

Re: Ordinance No. 210827; Public Testimony for Council Committee

Dear Mayor Lucas:

PLTR—SSP@KCI, LLC (comprised of Paradies Lagardere and SSP America, individually or collectively, "PLTR—SSP") respectfully requests that it be given 20 minutes to participate in the public meeting of the Transportation, Infrastructure and Operations Committee ("Committee") for pending Ordinance No. 210827 (the "Ordinance") to award the KCI Concession Agreement to Vantage Airport Group (US) Ltd ("Vantage"). PLTR—SSP submitted a proposal in response to the City's Request for Proposals for the Development, Operation, and Management of the Concession Program for the New Terminal at Kansas City International Airport Request Number 04161964 ("RFP"). As you may know the RFP prohibits the offerors to the RFP from contacting city officials with the express exception of participating in a public meeting. In anticipation of the limited time that will be available to PLTR—SSP and its team to provide oral public testimony in Committee, PLTR—SSP submits this letter to supplement its oral testimony in writing to you and the City Council members serving on the Committee.

We heard many City Council members at the September 16, 2021, Business Session of the City Council express a desire to understand proposals submitted by other offerors to the RFP in comparison to the proposal submitted by Vantage and to address other questions and concerns regarding the Vantage proposal. Our testimony set forth in this letter will address many of those questions and concerns and outline other items the Committee should take into consideration as it considers any recommendation of the Ordinance to the full City Council.

In the airport's and Vantage's presentations during the Business Session, Vantage received and took quite a bit of credit for running concession programs in various locations in the USA, Canada and elsewhere. Serious inquiry should be undertaken to determine Vantage's specific roles in the various projects that are attributed to them in both presentations. Who actually controls the food, beverage and retail operations at these airports? Who is actually paying rent on these spaces and who is merely collecting a fee for services? How is Vantage's relationship documented? Is it an owner? A consultant? Something else?

In its oral and written presentation, Vantage took credit for the entire concession program at Chicago Midway, including that program's impressive ACDBE participation of 56%. In reality, Vantage did not develop that concession program; SSP and its retail partner did. Vantage did not partner with any ACDBE's; SSP and its retail partner did. Vantage is a service provider in Chicago Midway, reporting to SSP and its retail partner. It is SSP and its retail partner that developed the entire program and who run the actual food, beverage, and retail operations at Chicago Midway. Vantage was engaged to provide services. Vantage has three employees on the ground and does not own any equity in the operating companies. It is a service provider that acts as a conduit to the airport at the behest of the real owner operators of the business, SSP and its retail partner.

It is also important to point out that over the last several weeks, facts have come to light indicating that there is strong reason to believe that Vantage failed to meet the basic RFP criteria of presenting a complete concession program at the time it submitted its proposal. We have oral communications and digital evidence that Vantage is actively attempting to poach PLTR-SSP's team members who were identified in PLTR-SSP's proposal and with whom PLTR-SSP has exclusive contractual business relations. We suspect we are not the only proponent to have experienced this. The poaching is and was occurring after Vantage submitted its proposal and after Vantage was selected for exclusive negotiations with the City. Not only is this unfair to all other offerors; it may rise to the level of tortious interference with PLTR-SSP's business expectancies and relationships, breaches of confidentiality, and other violations. If the City is in any way encouraging or supporting this behavior by its selected offeror by allowing Vantage to alter and improve its proposal or otherwise before an official award, then the City may also be exposing itself to risk.

The following discussion contains a comparison of the Vantage proposal as disclosed in our proposal and some of the information provided in our testimony is information that may not be known to the public but is generally known by other industry experts and seasoned airport executives versed in the areas of concessions management and operations. The discussion and comparison will be substantially based upon the evaluation criteria set forth by the City in Section 29 of the RFP to be used to evaluate the proposals.

Experience

PLTR-SSP have a combined experience running airports and retail units at 114 airports in North America alone. The companies collectively operate 1,300 units and have worked in the North American aviation space for a combined 121 years. Both companies are part of international, globally held companies with operations in a combined 74 countries. PLTR-SSP are recognized as the leading operators who have won the industry's most prestigious awards and directly manage thousands of employees. PLTR-SSP has seven owners on its offeror team and five of those owners are local to Kansas City. Our local team owners include:

- Constance McCloskey Terry, Devotions Boutique, LLC
- Elliott Threatt, E&K Retail, Inc.
- Colin Shipley-Gates, Hulk Solutions, LLC
- Calvin Vick, KC Airport Concessions, LLC
- Marisa Wiruhayarn, M-Power Enterprises, LLC

Only one of the three owners on the Vantage offeror team is from Kansas City.

An examination of Vantage's stated experience should take place. How many of the airport contracts Vantage says it has, are current contracts or even recent contracts? How did Vantage score higher on the Experience & Qualifications Request for Proposal criteria when it clearly does not have more experience? How many of Vantage's contracts are to operate restaurants and retail or even serve as a developer to restaurant and retail operators—or is it really another type of aviation service? Has Vantage, including its partners, been terminated for consistently failing to perform at any airport? And, has Vantage delivered in its promises in current contracts where it is tasked with implementing new programs?

The RFP requested offerors to provide references. Were Vantage's references contacted? PLTR-SSP's references were not contacted. How thorough was the evaluation if all offerors' references were not contacted?

KCI staff have indicated that they have been negotiating for weeks with Vantage. What have they been negotiating? Brands? Financial Offer? Something else?

Rent

Vantage has presented a "Developer" for fee model. By nature, the "Developer" for fee model relies on a 3rd party middleman, which is a proven inefficient operation in the airport concessions industry. In this case Vantage's developer model will generate \$35 million less in revenues to KCI and its stakeholders compared to the proven industry model offered by PLTR-SSP. Not only will KCI lose under the Vantage model, but the Vantage ACDBE subtenants will pay more than \$53 million in unnecessary fees to Vantage.

Only one entity benefits from this model: Vantage as the Developer

	Vantage	PLTR-SSP	PLTR-SSP improvement vs Developer
MAG Description	\$1.75 per enplanement	85% of Prior Year Rent Paid	Many factors drive growth
Total MAG: 15 Years*	\$166,449,138	\$202,222,932	\$35,773,794
KCI Rent Income: 15 Years**	\$227,593,486	\$264,448,047	\$36,854,560
Pricing	Street + 15%	Street + 10%	5% points
Developer Overrides on Subtenants	\$53,643,820	\$0	(\$53,643,820)

^{*}Vantage MAG is based on Year 1 enplanements of 5.5 million growing 2% annually

^{*}PLTR-SSP MAG is based on prior year actual rent paid (VZ MAG is 85% of \$10.6M rent paid in Y1 or \$9.2M) and escalated based on sales growth from several factors in addition to traffic increase

^{**} KCI Rent Income from Vantage is calculated at 80% of Percentage Rent up to \$16 million and 84% above \$16 million, assuming 14% Rent charged to subtenants (Vantage is not limited in what it can charge the subtenants however so the actual rate is not determined yet)

^{**} KCI Rent Income from the PITR-SSP model is based on 13.2% average rent paid directly to KCI

The Vantage contract before the City Council does not limit the rent Vantage will charge its subtenants, including ACDBEs. Assuming a 14% rent, Vantage would make over \$53 million in overrides from local businesses and ACDBE's. PLTR-SSP has zero rent override on subtenants.

The actual rent charge to the subtenants by Vantage is unknown and undisclosed. The Vantage contract before the City Council for approval does not restrict the rent it can charge its subtenants.

Vantage will charge subtenants higher rent than what is paid to KCI. Vantage will keep 20% of the rent up to \$16 million in collected rent. A simple example using 14% rent charge:

- Concessionaires generate \$100 million in sales and pay rent of 14% (\$100 million x 14% =\$14 million in rent paid by concessionaires).
- Vantage keeps 20% of that amount (\$14 million x 20% =\$2.8 million).
- KCI gets paid \$11.2 million in rent (\$14 million \$2.8 million retained by Vantage).
- KCI is receiving Percentage Rent of only 11.2% (\$11.2 million / \$100 million in sales) but the
 ACDBE concessionaires are paying 14% Rent. This is a \$2.8 million override to Vantage at the
 expense of the ACDBE tenants. The ACDBE's could simply pay KCI \$11.2 million directly and save
 a significant amount of money for their business without 3rd party (Vantage) taking such a large
 override

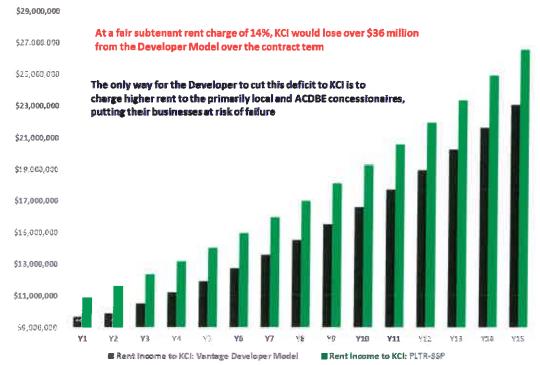
PLTR-SSP provides a much more straightforward and fair rent formula: Percentage rent by sales category (Food, Retail, Alcohol) averaging 13.2% paid directly to KCI. With the same \$100 million in Sales, KCI would receive \$13.2 million compared to \$11.2 million from Vantage.

So in this example for just 1 year, KCI loses \$2.0 million in rent (\$13.2 million that PLTR-SSP would have paid - \$11.2 million that the Vantage model pays). Over 15 years, this amounts to over \$36 million in total rent lost that KCI would have had from PLTR-SSP

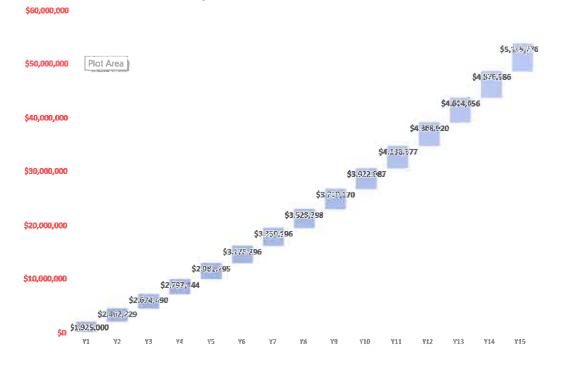
Vantage will keep for themselves 20% of every dollar of rent paid by the subtenants, which amounts to \$53 million over the 15-year term. In comparison PLTR-SSP would keep 0%. The PLTR-SSP model would pay KCI \$36 million more in rent.

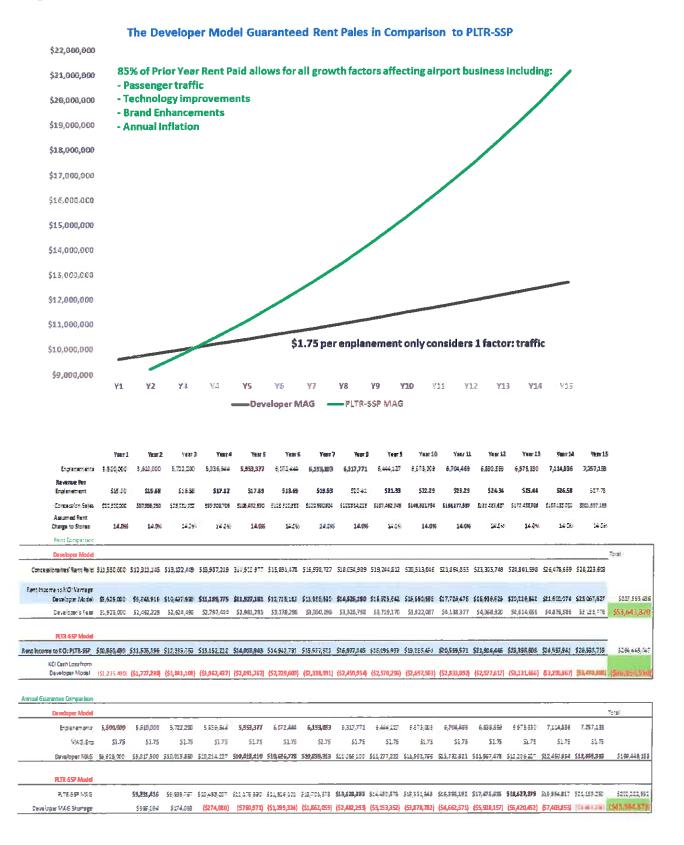
This is further illustrated in the charts below.





Developer Stands to Make Over \$60 Million in Rent Overrides on Subtenants Developer Income Based on 14% Subtenant Rent





Pricing

The RFP asks the offerors to define the "Pricing Rule" the offeror intends to implement. Pricing is what will be charged for the products sold at the airport. Vantage is recommending street pricing plus 15%. PLTR-SSP proposed street pricing plus 10%.

What does this mean to Kansas City passengers? It is common for a concessionaire to raise prices slightly above street pricing because the operations cost is greater and more difficult at the airport than other locations throughout the city. Vantage will mark up pricing 5% points more than PLTR-SSP which passes a substantially higher burden on passengers to enhance the Vantage's bottom line and its apparent offer to the City. The developer model (the Vantage model) is not concerned about the consumer, how much the consumer will pay for a BBQ sandwich or how the overpriced items will be perceived by local travelers. A developer is just the middleman, and its proposed inflated consumer price mark-up will be used to off-set its financial offer.

<u>Does Kansas City want their passengers to pay this inflated mark-up for products? Will that mark-up lead to less sales in the long run as passengers choose not to shop or eat at those prices?</u>

Financial Capacity

In the presentation on September 16th, Vantage mentioned that they are not the operators, and they just create the environment for concessionaires to be successful.

The RFP requested each offeror to provide evidence to verify its ability to obtain the necessary capital, and that it has sufficient reserves to pay necessary salaries and the ability to provide working capital prior to the date of Beneficial Occupancy. Vantage is not the operator in its model, and therefore, has Vantage or the city vetted all 11 subtenants to determine whether they have the required capital and ability to pay salaries? If so, why is the \$20 million fund necessary? Who are the subtenants that cannot qualify for third-party financing? Vantage has stated that it will establish a \$20 million fund for ACDBE's to borrow funds for the build out of their facilities. What are the loan terms? Is this loan fund a profit center for Vantage?

Vantage also says it will spend \$65 million on the project. How much of the \$65 million is Vantage contributing or is this really being contributed by the other partners and subtenants?

PLTR-SSP's initial investment of \$ 48 million is all equity provided by PLTR and SSP. Borrowing money in today's environment comes with tremendous risk. Again, one must ask whether Vantage and KCI staff have examined this?

Wages

Vantage has stated it is committing to \$15.00 per hour starting minimum wage plus benefits for all associates. Vantage does not operate any retail or restaurant facilities, nor will it be administrating payroll. Is Vantage mandating this from their subtenants without understanding the realities of pay in today's restaurant industry? This commitment does not seem to make senses or appear to be legally compliant; the relationship with labor is between the subtenant employers and their employees. A \$15.00 per hour wage demonstrates the Vantage's inexperience with operating restaurants. In our current operations at many airports throughout the United States we employ line cooks who in some cases make in excess of \$20 per hour, while bartenders and waiters, that are tipped may make less than \$15 an hour and in other cases substantially more. These rates are typically laid out within a collective bargaining agreement.

Further, the majority of PLTR-SSP operations throughout the country are under Collective Bargaining Agreements with unions. This is a standard practice for large concessionaires in our industry. While Vantage makes public statement regarding minimum wages, there is nothing in the Vantage contract before the City Council for approval, nor is there any CBA, to protect these wages or the actual employees. Lastly, PLTR-SSP has a signed labor peace agreement to ensure a smooth transition while Vantage has stated on September 16, 2021, that it was "working on it", showing clearly its lack of readiness to take this project on and its failure to recognize the role that labor plays in a successful concessions program.

ACDBE

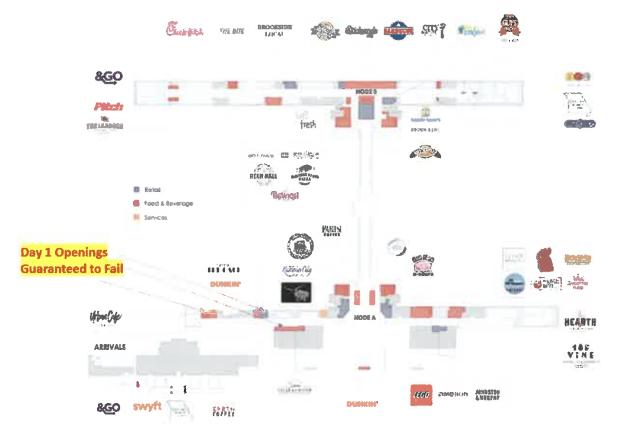
Taking into account that the RFP had a 16% Airport Concession Disadvantaged Business Enterprise goal and the section was a pass or fail, we are confident that our submittal met and exceeded the requirements and that our ACDBE response met the tenets of the ACDBE program. Our program builds lasting relationships with our ACDBE partners across the country as we ensure our team is meeting contractual obligations and building strong, long-term relationships. We have woven inclusion and opportunity into our corporate culture. Our goals mirror those of the U.S. Department of Transportation through our focus on: 1. Removing barriers for ACDBE participation by casting a wide net, 2. Applying inclusive practices, and 3. Providing flexible options for ACDBE participation.

In response to the proposed 59% ACDBE participation in the Vantage proposal, Vantage referenced that Chicago Midway is currently achieving 56% ACDBE participation. To clarify this statement, as noted earlier, Vantage is merely a service provider in Chicago. It is SSP and its retail partner that are responsible for all aspects of the ACDBE program.

A critical component of mentoring ACDBE's is helping with all aspects of design, development, construction, capitalizing, organizing, sourcing procurement, assisting with hiring, software and register systems, inventory, profit and losses. The Vantage presentation was extremely cavalier about these areas. Without the substantial resources PLTR-SSP brings to the table, these critical areas would be left to chance.

This challenge is amplified when you look at the brand airport map that was presented by Vantage. For example, Vantage emphasized Justin Clark's Urban Café in its presentation. In reality, the brand map shown by Vantage locates Urban Café in Concourse A South that does not have any planned passengers. This is location does not provide a base for success for Urban Café. Justin would be borrowing and spending millions to build a restaurant in an area of the airport that does not have any planned passengers.

Historically, ACDBE subtenants have a higher risk to fail because they are independent businesses and they are often placed in under preforming parts of the airport. Given the current Vantage proposal, we see that several of these businesses are in fact placed in less profitable or underperforming locations which could in fact destroy a small local hometown business.



We have run an extensive database search and cannot locate any of the lead ACDBE partners presented with an ACDBE certification from the city of Kansas City, although they were presented as ACDBE partners. We have found that only Jason Parson is a local entrepreneur and that the others are from out of state; Charles Hopkins is based in Maryland and OHM Concessions led by Milan Patel is based in Saint Louis.

PLTR-SSP work with joint venture partners to ensure they are supported through every aspect of the business to ensure success. We believe that as partners success is a reflection of our company. We manage over 200 joint venture, subtenants, design and construction partners. We manage success through

financial assistance, mentorship, communication and engagement. PLTR-SSP provides outside lending sources for our partners, and we have negotiated very favorable terms for our partners. Additionally, we have established a relationship with Leed Bank in Kansas City to be a lender to our partners on this project. We believe that partners having access to capital that is independent to our company keeps the financials undiluted and allows the partner to maintain their own independence in business matters, including the fact that we do not charge a management fee to our partners. PLTR-SSP has a proven record with mentoring and growing our partners in nearly every market that we do business; our work in this area has allowed many new small businesses across the country to grow in the airport food and beverage space with many notable businesses that have exponentially grown with and out of PLTR-SSP. Weekly partner calls are also conducted where all partners can join and engage directly with our executive teams and other leaders in the aviation industry. This provides an open dialog with leadership that contributes to everyone's success.

Our submittal presented all local Kansas City, MO certified ACDBE participants. We pride our package with a rich diversity of partners representing all areas of the City. Each of our partners brings a strong foundation and knowledge of both restaurant and business experience including airport concessions experience. We are very proud of the knowledge and strength our team provides. We have a diversity pledge that shows our passion for building a diverse workforce and portfolio of partners featuring ACDBE partnerships and dozens of ACDBE subtenants. Our growing network of ACDBE partnerships accounted for over \$250 million in airport concession sales during our most recent fiscal year.

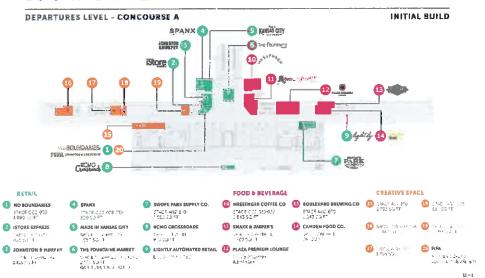
Sense of Place

PLTR-SSP has been in the local market for three years developing relationships and operating partnerships with Kansas City's most iconic, popular, and enduring brands. The latter was tested by an on-going pandemic through which all our partners have endured and currently flourish once again. PLTR-SSP approached the development of its concept plan from 360 degrees to ensure it accomplished the following:

- Ensure representation from each of the city's districts. The PLTR-SSP program ensures anyone
 from Kansas City, travelling through the airport, will find something familiar, something that they
 share pride in seeing, and something they can boast about and recommend to their friends that
 travel.
- Bring a Taste of Place to KCI. The teams stated mission, "to bring cool, authentic restaurants (to Kansas City's airport) that reflect a taste of place," is not only center stage in its proposal, but we'd proudly go so far as to say it 'epitomizes' the Kansas City food scene and brings it to KCI. To name a few:
 - Minsky's Pizza 45 years of continuous operations, over 15 locations in Kansas City currently operating or being developed, and it has received every possible local award imagined.

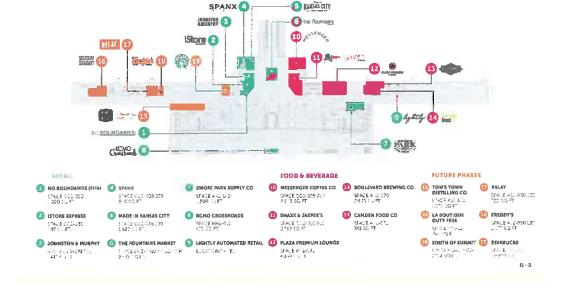
- Jasper's 67 years family owned and operated and celebrated as one of America's most iconic Italian restaurants patronized by athletes, broadcasters, politicians, and Presidents.
- Justin Clark (Urban Café, Urban Bird) a local chef phenom who fuses flavors from the south with his mid-west roots and shares a vision with us of showcasing his cuisine and making Troost Avenue shine in the airport.
- O Summit Restaurant Group Featuring the iconic Summit Grill, 3rd Street Social, Boru Asian, and South of Summit Mexican. They are a culinary force in the city and all their restaurants are continually found in the Top Ten of the city in publications and website alike. Their experience and success cannot be overlooked as it speaks loudly to the contemporary tastes of the city.
- Kansas City Chiefs After 58 years in KC, countless hall of famers, three AFL championships, two Superbowl wins (and counting), they have chosen PLTR-SSP as its exclusive partner to develop a state-of-the-art food and football experience at KCI. PLTR-SSP would argue that the presence of the Kansas City Chiefs in KCI is a must (and long overdue). Our partners at the Chiefs have been patient and selective as always to ensure they chose the most accomplished and compatible player in the airport foodservice industry to actualize their vision for KCI. This is the jewel in the crown of the PLTR-SSP proposal and we accept this with both pride and a great sense of responsibility.
- Establish the correct mix of local and national power brands that have the bandwidth to partner and operate in a high volume, critical, and visible environment. Being successful from day one is the goal and expectation. The systems and logistics that support airport operations are the bedrock of success. Those systems are as unique and proprietary as the brands and menus themselves. It is the fusion of PLTR-SSP's and our brands' respective experience and expertise that ensures success in an airport venue.
- The correct placement of brands within the concourses (see below maps). Ensuring the correct mix of fast casual, QSR, and sit-down dining is critical to each zone of the airport and coffee must be prolific and center stage throughout. PLTR-SSP's program considered that goal and ensures no passenger will be left wanting. Speed of service, food options, and a variety of price points will be available throughout the airport to all.

LOCATION PLAN

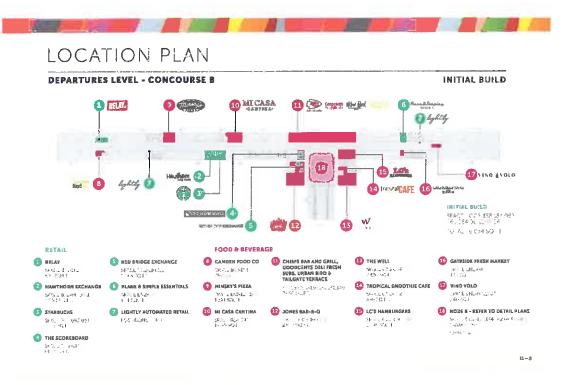


LOCATION PLAN

DEPARTURES LEVEL - CONCOURSE A



FUTURE BUILD



New airport terminals happen once in a lifetime, City Council members have one opportunity to get this program right for the next 15-20 years. Now is not the time to settle for an underwhelming proposal full of unanswered questions and risk; now is the time to get this right and bring these iconic Kansas City brands to the airport and to truly represent all parts of Kansas City.

Sincerely,

Påt Murray

PLTR-SSP@KCI, LLC

cc: Councilwoman Loar (Teresa.Loar@kcmo.org)

Councilman Bunch (Eric.Bunch@kcmo.org)

Councilwoman Shields (Katheryn.Shields@kcmo.org)

Councilman O'Neill (Kevin.ONeill@kcmo.org)

Councilwoman Robinson (Melissa.Robinson@kcmo.org)

Marilyn Sanders (City Clerk) (Marilyn.Sanders@kcmo.org)

Pete Fullerton (Pete.Fullerton@kcmo.org)