



MEMORANDUM

March 17, 2020

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TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Eleanor Johns
Hon. Richard J. Guggenime
Hon. Malcolm Yeung

FROM: Airport Director

MAR 17 2020

SUBJECT: Award of Four Harvey Milk Terminal 1 Food and Beverage Concession Leases in Phases 3 and 4

DIRECTOR'S RECOMMENDATION: (1) AWARD FOUR HARVEY MILK TERMINAL 1 FOOD AND BEVERAGE CONCESSION LEASES IN PHASES 3 AND 4, AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The proposal evaluation process for four Harvey Milk Terminal 1 Food and Beverage Concession Leases in Phases 3 and 4 (Leases) has concluded and Staff recommends award of the Leases to the following operators: ProperFood SFO Airport, LLC (Lease 10 - Gourmet Grab & Go Market); HFF SFO Two, LLC (Lease 12 – Casual Dining and Bar); Culinary Heights Hospitality (Lease 13 – Coffee or Coffee & Retail – a Small Business Enterprise Set-Aside); and Heigh Connects, LLC (Lease 14 – Japanese or Poke – a Small Business Enterprise Set-Aside).

No qualified proposals were received for Lease 11 – Food Hall and Pop-Up Food Program, and Staff will undergo a new competitive process for that lease.

Background

On September 10, 2019, by Resolution No. 19-0225, the Airport Commission (Commission) authorized Staff to commence the competitive selection process for the Leases through a Request for Proposals (RFP).

Staff issued the RFP and conducted an informational conference at which each of the Lease opportunities were presented to the interested parties. Staff gathered feedback from those in attendance and evaluated requests for changes to business terms where appropriate.

THIS PRINT COVERS CALENDAR ITEM NO. 2

On December 3, 2019, by Resolution No. 19-0288, the Commission approved the revised lease specifications and authorized Staff to accept proposals. In response to the RFP, the Airport received 15 proposals by the January 22, 2020 Submittal Deadline. However, two of the proposals were disqualified: (1) the sole proposer for Lease 11 did not meet the minimum qualifications, and (2) one proposer for Lease 14 submitted an incomplete proposal, including failure to submit the required proposal bond.

Staff determined that the remaining proposals met the RFP's minimum qualifications. A four-member evaluation panel was convened to review and score the qualifying proposals. The panel consisted of the following: the Chief Financial Officer at Visum Development Group, a Senior Airport Economic Development Specialist at Sacramento Airport, a Senior Aviation Management Consultant at ICF, and a Project Manager for the Airport. The evaluation panel's selections for the highest-ranking, responsive, and responsible proposers are identified below, along with all other qualifying proposers for each Lease. The Minimum Annual Guarantee (MAG) for the first lease year and percentage rent structure are also identified, with base rent being the greater of the MAG or percentage rent. All Leases have a term of 12 years, with one option to extend by two years, exercisable at the sole discretion of the Commission.

Lease 10 – Gourmet Grab & Go Market

MAG – \$275,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u>		
ProperFood SFO Airport, LLC	ProperFood	92.00
Elevate Gourmet Brands-SC Group	Pronto!	89.33
Amoura International, Inc.	Amoura To-Go	71.00

Lease 12 – Casual Dining & Bar

MAG - \$545,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$1,500,000.00, plus 10% of Gross Revenues achieved from \$1,500,000.01 up to and including \$2,000,000.00, plus 12% of Gross Revenues achieved over \$2,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u>		
HFF SFO Two, LLC	Balboa Café	97.00
Amoura International, Inc.	Amoura Modern Mediterranean	79.33

Lease 13 – Coffee or Coffee & Retail – a Small Business Enterprise Set-Aside

MAG – \$385,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u>		
Culinary Heights Hospitality	Ritual Coffee Roasters	88.33
Rylo Management, LLC	Wrecking Ball Coffee	86.00
JRenee LLC and Steven Maltz	Brew and Bagel	67.33

Lease 14 – Japanese or Poke – a Small Business Enterprise Set-Aside

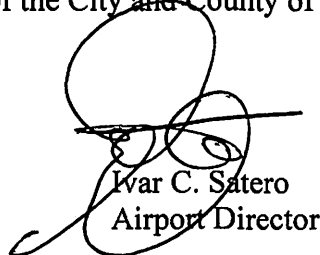
MAG – \$570,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus, 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus, 12% of Gross Revenues achieved over \$1,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u>		
Heigh Connects, LLC	Sam Choy's Poke to the Max	89.00
Silver Dragon Café, LLC	Live Sushi & Poke	85.33
Poki Time 168, LLC	Tuna Kahuna	83.00
Airside Delights SFO Inc.	Tomokazu	82.00
Reiwa USA, Inc.	Waku Waku	77.33

Among the four leases recommended for award, three are brands that were founded in San Francisco: ProperFood, Balboa Café, and Ritual Coffee Roasters. ProperFood is a joint venture with a 20% ownership by a local Airport Concession Disadvantaged Business Enterprise (ACDBE) partner. The fourth brand tendered by Heigh Connects, LLC under the brand Sam Choy's Poke to the Max is an ACDBE operator based out of Seattle, Washington.

Recommendation

I recommend this Commission (1) award to the recommended operators the above four Harvey Milk Terminal 1 Food and Beverage Concession Leases in Phases 3 and 4; and (2) direct the Commission Secretary to request approval of the Leases from the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.



Ivar C. Satero
Airport Director

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Chief Business & Finance Officer

Attachments

Attachment 1

HARVEY MILK TERMINAL 1 FOOD AND BEVERAGE CONCESSIONS LEASES IN PHASES 3 & 4

