

1 [Lease Amendment - DFS Group, L.P. - The International Terminal Duty Free and Luxury
2 Lease - Temporary Modified Percentage Rent Structure or Reinstatement of Minimum Annual
3 Guarantee - \$42,000,000]

4 **Resolution approving Amendment No. 2 to the International Terminal Duty Free and**
5 **Luxury Store Lease No. 17-0303 between DFS Group, L.P. and the City and County of**
6 **San Francisco, acting by and through its Airport Commission, which continues the**
7 **temporary modified percentage rent structure to 33% of sales through the earlier to**
8 **occur of December 31, 2023, or the reinstatement of the minimum annual guarantee**
9 **of \$42,000,000 contingent upon completion of certain construction projects by**
10 **December 31, 2021, with no change to the 14-year term, to commence upon approval**
11 **by the Board of Supervisors.**

12
13 WHEREAS, On December 5, 2017, by Resolution No. 17-0303, the Airport
14 Commission (Commission) awarded the International Terminal Duty Free and Luxury Lease
15 (Lease) to DFS Group, L.P. (Tenant); and

16 WHEREAS, On March 20, 2018, by Resolution No. 66-18, the Board of Supervisors
17 approved the Lease, a copy of which is on file with the Clerk of the Board in File No. 180079;
18 and

19 WHEREAS, On March 17, 2020, by Resolution No. 20-0051, the Commission
20 approved Amendment No. 1 to the Lease establishing the Base Rent as 33% of gross
21 revenues for Lease Year 1 which ends December 31, 2020; and

22 WHEREAS, On July 3, 2020, by Resolution No. 280-20, the Board of Supervisors
23 approved Amendment No. 1, a copy of which is on file with the Clerk of the Board in File
24 No. 200542; and

25

1 WHEREAS, Sales during Lease Years 2, 3 and 4 are expected to be below the
2 Airport's forecast by an average of 64% and the originally contemplated Percentage Rent
3 structure will lead to significant losses for DFS Group, L.P. and its Airport Concessions
4 Disadvantaged Business Enterprise joint venture partners; and

5 WHEREAS, Continuing the Percentage Rent structure of 33% of gross revenue
6 conditioned upon Tenant' timely completion of certain construction projects in the International
7 Terminal by December 31, 2021, is in the best interest of the Airport in that it will help
8 preserve the economic feasibility and continued operation of duty-free offerings to travelers at
9 SFO; and

10 WHEREAS, On December 1, 2020, by Resolution No. 20-0222, the Commission
11 approved Amendment No. 2 to the Lease; now, therefore, be it

12 RESOLVED, That the Board of Supervisors approves Amendment No. 2 to the Lease,
13 which (1) continues the temporary modification of the Percentage Rent structure to 33% of
14 sales through the earlier to occur of the end of Lease Year 4, which is December 31, 2023, or
15 the reinstatement of the Minimum Annual Guarantee; and (2) provides that the temporary
16 modification of Percentage Rent is contingent upon Tenant's completion of the construction of
17 the Yves Saint Laurent store, two luxury watch stores, and the two flow-through entrances
18 from the security checkpoints directly into the Boarding Areas A and G galleria locations, no
19 later than December 31, 2021; a copy of which is on file with the Clerk of the Board of
20 Supervisors in File No. 201348; and, be it

21 FURTHER RESOLVED, That within thirty (30) days of the amendment being fully
22 executed by all parties, the Airport Commission shall provide the final amendment to the Clerk
23 of the Board for inclusion into the official file.

24
25



City and County of San Francisco

Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 201348

Date Passed: February 02, 2021

Resolution approving Amendment No. 2 to the International Terminal Duty Free and Luxury Store Lease No. 17-0303 between DFS Group, L.P. and the City and County of San Francisco, acting by and through its Airport Commission, which continues the temporary modified percentage rent structure to 33% of sales through the earlier to occur of December 31, 2023, or the reinstatement of the minimum annual guarantee of \$42,000,000 contingent upon completion of certain construction projects by December 31, 2021, with no change to the 14-year term, to commence upon approval by the Board of Supervisors.

January 27, 2021 Budget and Finance Committee - RECOMMENDED

February 02, 2021 Board of Supervisors - ADOPTED

Ayes: 11 - Chan, Haney, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 201348

I hereby certify that the foregoing Resolution was ADOPTED on 2/2/2021 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

2/12/21

Date Approved