

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-0014

AWARD OF THE INTERNATIONAL TERMINAL FOOD AND BEVERAGE CONCESSIONS LEASE NO. 3 TO TASTES ON THE FLY, SAN FRANCISCO, LLC DBA NAPA FARMS MARKET; MUSTARDS GRILL; AND SAMOVAR TEA

WHEREAS, By Resolution No. 15-0114 adopted on May 26, 2015, the Airport Commission (“Commission”) authorized staff to commence the competitive selection process and issue a Request for Proposals (“RFP”) for 13 Leases, Lease No. 3 being for a Sit-down Restaurant, a Marketplace, and a Casual Sit-down Restaurant; and

WHEREAS, By Resolution No. 15-0199 adopted October 13, 2015, the Commission approved the minimum requirements and lease specifications, and authorized staff to accept proposals for 13 Leases; and

WHEREAS, on November 18, 2015, staff received four proposals for the Sit-down Restaurant, Marketplace, and Casual Sit-down Restaurant from the following proposers: Host International, Inc.; Nopa Ventures, LLC; SSP America, Inc.; and Tastes On The Fly, San Francisco, LLC; and

WHEREAS, a five-member panel reviewed the qualifying proposals and determined Tastes On The Fly, San Francisco, LLC to be the highest-ranking, responsive, and responsible proposer; now therefore, be it

RESOLVED, that this Commission hereby awards the International Terminal Food and Beverage Concessions Lease No. 3 to Tastes On The Fly, San Francisco, LLC dba Napa Farms Market; Mustards Grill; and Samovar Tea, under the conditions set forth in the staff memorandum on file with the Commission Secretary, including, but not limited to, a term of 10 years with two one-year options for a post-security location, and a term of seven years with three one year options for a pre-security location, all exercisable at the sole and absolute discretion of the Airport Commission, and a Minimum Annual Guarantee of \$910,000.00 for the first year of the Lease, and subject to its compliance with the Nondiscrimination in Employment Program and Equal Benefits Ordinance; and be it further

RESOLVED, that this Commission Secretary is hereby directed to request approval of the Lease by Resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of

~~JAN 10 2016~~


Secretary



MEMORANDUM

January 19, 2016

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenhime
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Award of 13 International Terminal Food and Beverage Concession Leases

DIRECTOR'S RECOMMENDATION: (1) APPROVE THE RECOMMENDED OPERATORS AND AWARD 13 INTERNATIONAL TERMINAL FOOD AND BEVERAGE CONCESSION LEASES; AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The proposal evaluation process for 13 International Terminal Food and Beverage Concession Leases ("Leases") has concluded and award is recommended for the 13 Leases. The operators for which approval is sought are: Andalé Management Group, Inc. (Lease No. 1, casual sit-down and quick serve); High Flying Foods SFO, LLC (Lease No. 2, casual sit-down); Tastes On The Fly, San Francisco, LLC (Lease No. 3, sit-down, marketplace and casual sit-down); Mum Fresh San Francisco, Inc. (Lease No. 4, quick serve); Tomokazu Japanese Cuisine (SFO) Inc. (Lease No. 5, quick serve); SSP America, Inc. (Lease No. 7, casual sit-down); Joe & The Juice SFO LLC (Lease No. 8, quick serve); Stix Holdings, LLC (Lease No. 9, Asian quick serve); Midfield Concession Enterprises, Inc. (Lease No. 10, coffee quick serve); Bayport Concessions, LLC (Lease No. 11, Asian quick serve); Adam Light (Lease No. 12, Casual Dining Bar and Quick serve); Host International, Inc. (Lease No. 13, two coffee quick serves); and, SSP America, Inc. (Lease No. 14, quick serve).

Background

By Resolution No. 15-0114 adopted on May 26, 2015, the Airport Commission ("Commission") authorized staff to commence the competitive selection process and a Request for Proposals ("RFP") for the Leases.

Staff conducted an informational meeting wherein each of the Leases were presented to the interested parties. Staff gathered feedback from potential proposers and clarified or changed business terms where appropriate. Lease No. 6 was deleted as the leased premises were leased to an airline subsequent to the start of food and beverage leasing. Additionally, a new lease, Lease No. 14, was created by unbundling the premises from Lease No. 2.

THIS PRINT COVERS CALENDAR ITEM NO. 5

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN JOHN L. MARTIN AIRPORT DIRECTOR

By Resolution No. 15-0199 adopted October 13, 2015, the Commission approved the minimum requirements and lease specifications, approved of the creation of Lease No. 14, and authorized staff to accept proposals.

In response to the RFP, the Airport received 94 proposals by the November 18, 2015 Submittal Deadline. The following proposers were deemed nonresponsive:

1. MRMG, LLC – submittal was rejected because it was received after the Submittal Deadline.
2. Amami San – did not meet the minimum qualification requirements and tendered an incomplete submittal.
3. Gate 74, Inc. – two proposals out of four were disqualified because Gate 74, Inc. had submitted two proposals each for Leases 4 and 5. The RFP stipulated that proposers could only submit one proposal per Lease.

Staff determined that the remaining proposals met the RFP’s minimum qualifications. A five-member blue ribbon evaluation panel was convened to review and score the qualifying proposals. The evaluation panel’s selections for highest ranking, responsive, and responsible proposers are identified below, along with all other proposers for each lease. One exception to the evaluation panel’s work was Lease No. 12. Award is sought for the sole proposer for this lease despite the panel’s recommendation to reject the proposal. The Minimum Annual Guarantee (“MAG”) for the first lease year was calculated by the projected sales revenue of each lease premises. Base rent is the greater of the MAG or percentage rent (listed below).

Lease No. 1 – Casual Sit-down Restaurant and Quick Serve Restaurant

MAG - \$560,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$3,000,000.00, plus 10% of Gross Revenues achieved up to and including \$3,000,000.01 to \$3,500,000.00, plus 12% of Gross Revenues achieved over \$3,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Andalé Management Group, Inc.	Valencia St. Station 24 th and Mission TACO HOUSE
Amoura International, Inc.	Amoura Fresh Mediterranean Amoura Café
High Flying Foods SFO, LLC	A16 Pizzeria Gott’s Roadside
DN Concessions, SFO, LLC	Triple Voodoo Brewery and Tap Room Auntie April’s
Host International, Inc.	The Kitchen by Wolfgang Puck Tava Kitchen
Paradies Lagardere @ SFO, LLC	Red Dog - South of Market Il Cane Rosso
SSP America, Inc.	Slice House by Tony Gemignani American Grill Cheese

Lease No. 2 – Casual Sit-down Restaurant

MAG - \$294,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

Please note that Attachment 2 of the staff memo on file with the Airport Commission Secretary from the October 13, 2015 Commission Meeting, wherein the Commission authorized staff to accept proposals (Resolution No. 15-0199), inadvertently references the higher percentage rent structure applicable to Lease Nos. 1 and 3 for Lease No. 2. Staff intended that Lease No. 2 include the 6%, 8%, 10% percentage rent structure referenced above, issued RFP documents reflecting this percentage rent structure, and seeks authorization to award Lease No. 2 with this percentage rent structure.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> High Flying Foods SFO, LLC	Gott's Roadside
Joe & The Juice SFO LLC	Joe & The Juice
Mum Fresh San Francisco Inc.	MUMFRESH
Paradies Lagardere @ SFO, LLC	Red Dog – South of Market
SSP America, Inc.	Burger Bar
Tastes On The Fly, San Francisco, LLC	Barbacco Eno Trattoria

Lease No. 3 – Sit-down Restaurant, Marketplace and Casual Sit-down Restaurant

MAG - \$910,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$3,000,000.00, plus 10% of Gross Revenues achieved up to and including \$3,000,000.01 to \$3,500,000.00, plus 12% of Gross Revenues achieved over \$3,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Tastes On The Fly, San Francisco, LLC	Napa Farms Market Mustards Grill Samovar Tea
Host International, Inc.	Bistrot Mills & Field Sammy Hagar's Red Rocker Bar & Grill
Nopa Ventures, LLC	San Francisco Marketplace & Beer Garden La Urbana Porchetta
SSP America, Inc.	Farm Shop and Farmshop Market Outpost Food & Drink

Lease No. 4 – Quick Serve Restaurant

MAG - \$165,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Mum Fresh San Francisco Inc.	MUMFRESH
Amoura International, Inc.	Amoura
Andalé Management Group, Inc.	Lucca Delicatessen
The Original Mel's Investment Group, LLC	Mel's, The Original
DN Concessions, SFO, LLC	The Melt
Doppio Zero LLC dba Doppio Zero Pizzeria Napoletana	Doppio Zero Pizzeria Napoletana
Food in Flight, Inc.	Crema Café
Gate 74 Inc.	Great Wraps Grill
High Flying Foods SFO, LLC	A16 Pizzeria
Host International, Inc.	Asian Box
La Baguette LLC	La Baguette
Lori's Diner International, Inc.	Lori's Diner
M5 Partners Inc. dba Jamba Juice	Jamba Juice
Midfield Concession Enterprises, Inc.	NoodleCat
Nopa Ventures, LLC	Tortas Colibri
Sankaku, Inc.	Sankaku Sushi & Noodle
San Francisco Soup Company, dba Ladle & Leaf	Ladle & Leaf
SSP America, Inc.	Mastrelli's Deli
Trish's Dishes dba Trish's Mini Donut	Trish's Mini Donuts
Yabaz Inc.	Yaba'z Mediterranean Kitchen

Lease No. 5 – Quick Serve Restaurant

MAG - \$165,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Tomokazu Japanese Cuisine (SFO) Inc.	Tomokazu
American Restaurant Holdings, Inc.	Muscle Maker Grill
Andalé Management Group, Inc.	24th & Mission TACO HOUSE

PROPOSER	CONCEPT NAME
Augie's II LLC	Augie's Authentic Montréal Smoke Meat
Belcampo Meat Co, LLC	Belcampo Burger
The Original Mel's Investment Group, LLC	Mel's, The Original
Food in Flight, Inc.	Crema Cafe
Gate 74 Inc.	Orenchi
High Flying Foods SFO, LLC	Musette
Host International, Inc.	Super Duper Burgers
Jamber LLC dba Jamber Wine Pub	Jamber Wine Pub
La Baguette LLC	La Baguette
Lori's Diner International, Inc.	Lori's Diner
Lucky Business Services, Inc.	Cafe Colma
M5 Partners Inc. dba Jamba Juice	Jamba Juice
Midfield Concession Enterprises, Inc.	Pieology Pizzeria
Mum Fresh San Francisco Inc.	MUMFRESH
Nopa Ventures, LLC	Tortas Colibri
Sankaku, Inc.	Sankaku
San Francisco Soup Company dba Ladle & Leaf	Ladle & Leaf
SSP America, Inc.	Umami Burger

Lease No. 7 – Casual Sit-down Restaurant

MAG - \$225,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> SSP America, Inc.	1300 on Fillmore
Andalé Management Group, Inc.	Alta Vista
Food in Flight, Inc.	Lift Café & Bar
Gate 74, Inc.	Burger King
Host International, Inc.	Uno Dos Tacos
Mum Fresh San Francisco Inc.	MUMFRESH
Paradies Lagardere @ SFO; LLC	II Cane Rosso
Taste, Inc. dba Vino Volo	Vino Volo
TLC Cocina, LLC	The Little Chihuahua Mexican Restaurant

Lease No. 8 – Quick Serve Restaurant (Coffee, Juice, Snacks)

MAG - \$150,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Joe & The Juice SFO LLC	Joe & The Juice
Andalé Management Group, Inc.	Sutro Café
Food in Flight, Inc.	Crema Café & Coffee Bar
Gate 74, Inc.	Great Wraps Grill
Green Beans Coffee Osteria - SFO Group	Green Beans Coffee
Rylo Management, LLC dba Harvest	Harvest Crepe & Sandwich Bar
SSP America, Inc.	Rustic Bakery

Lease No. 9 – Quick Serve Restaurant (Asian)

MAG - \$155,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Stix Holdings, LLC	Pick Up Stix

Lease No. 10 – Quick Serve Restaurant

MAG - \$125,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Midfield Concession Enterprises, Inc.	Roasting Plant
Green Beans Coffee Osteria – SFO Group	Green Beans Coffee
High Flying Foods SFO, LLC	Peet's Coffee
Host International, Inc.	Starbucks
Joe & The Juice SFO LLC	Joe & The Juice
Kero's Café, Inc. dba Marina's Café	Marina's Cafe
Paris Baguette America, Inc.	Paris Baguette
SSP America, Inc.	Rustic Café

Lease No. 11 – Quick Serve Restaurant (Asian)

MAG - \$155,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Bayport Concessions, LLC	Koi Palace Express
Maki Vance & Associates, LLC	Ace Wasabi's Rock-N-Roll Sushi & Yakitori Bar
Stix Holdings, LLC	Pick Up Stix

Lease No. 12 – Casual Dining Bar and Quick Serve Restaurant

MAG - \$190,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
Adam Light	Tapas and Taps; and Potrero Grill

Lease No. 13 – Two Quick Serve Restaurants (Coffee, Juice, Snacks, Mini Market)

MAG - \$120,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> Host International, Inc.	Starbucks
Green Beans Coffee Osteria – SFO Group	Green Beans Coffee

Lease No. 14 – Quick Serve Restaurant

MAG - \$196,000.00. Percentage Rent – 6% of Gross Revenues achieved up to and including \$1,000,000.00, plus 8% of Gross Revenues achieved up to and including \$1,000,000.01 to \$1,500,000.00, plus 10% of Gross Revenues achieved over \$1,500,000.00.

PROPOSER	CONCEPT NAME
<u>Highest Ranking:</u> SSP America, Inc.	Wendy's

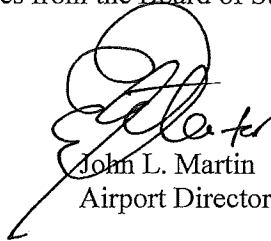
Among the 13 leases recommended for award are seven proposers from the Greater Bay Area. SSP America, Inc. is the only proposer being recommended for two leases. Although based in Virginia, SSP America, Inc. has created a joint venture, which includes 40% ownership by local partners. While the Airport already does business with seven of the proposers recommended for award, they are bringing to SFO 11 new concepts. The remaining concepts, which already exist at the Airport, represent passenger favorites such as Napa Farms Market, Tomokazu, and Starbucks. Although small business certification was not required, it appears that eight of the 13 leases will be with small

businesses or joint ventures with a small business. Additionally, four of the leases will be with entities that have likely graduated from small business status as a result of operating in the airport environment.

Upon request, debriefings will be held with proposers to assist them in understanding how the proposals were viewed by the evaluation panel. These efforts will be encouraged as Requests for Proposals for Terminal 3 food and beverage locations will be issued in 2016. Additionally, Requests for Proposals for the new Terminal 1 will be issued in 2017 or 2018.

Recommendation

I recommend that the Commission (1) award to the recommended operators the aforementioned 13 International Terminal Food & Beverage Concession Leases; and (2) direct the Commission Secretary to request approval of the leases from the Board of Supervisors.



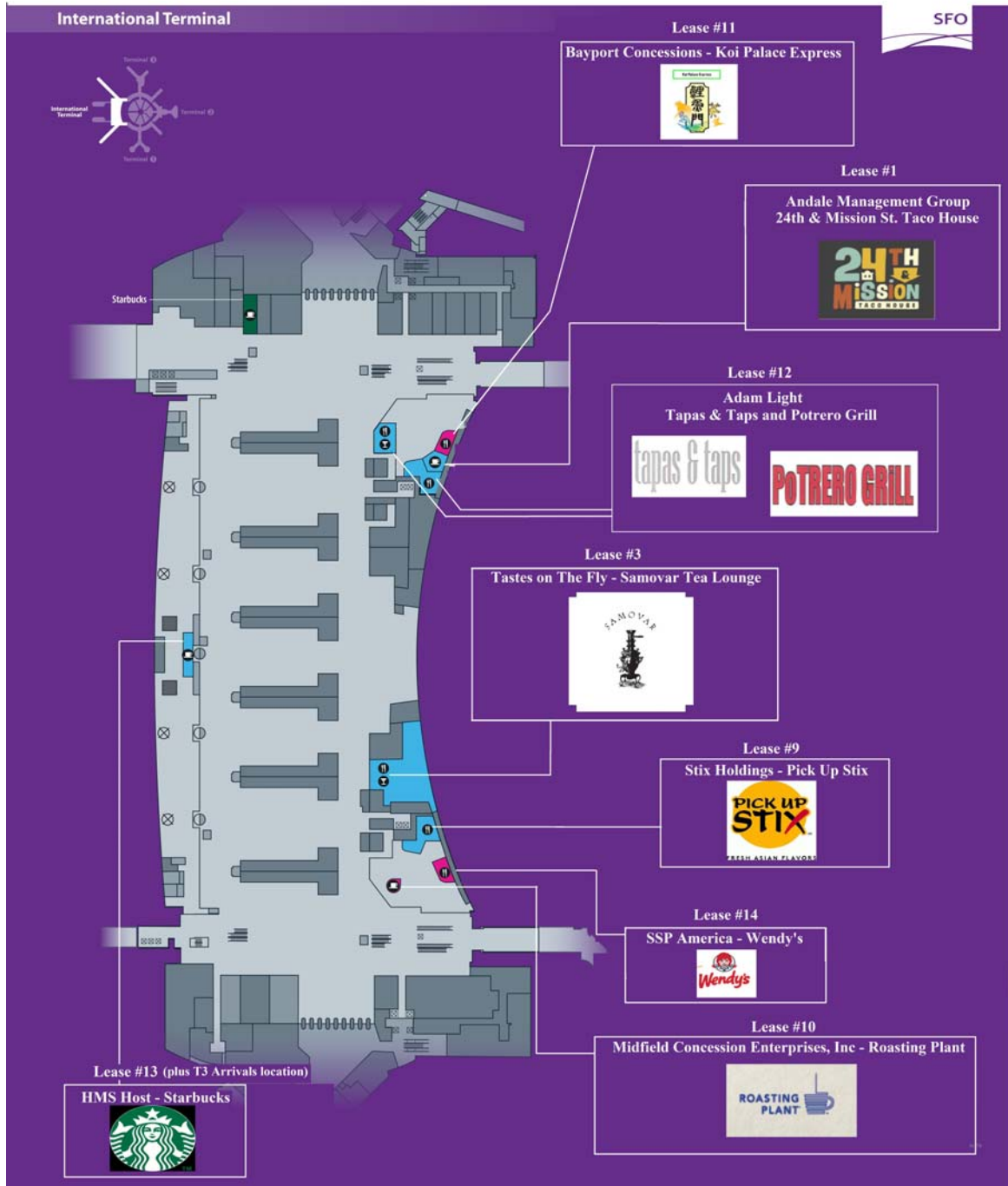
John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments

Attachment 1

IT Food & Beverage Lease RFP



Attachment 1



