

1 [Airport Concession Support Program Lease]

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3 **Resolution approving, retroactive to September 11, 2001, the Airport Concession Support**
4 **Program between Action Cellular-Cellular Phone Rental Service Lease; Andale SFO -**
5 **New International Terminal Food and Beverage Lease; Bank of America - Domestic**
6 **Banking Services Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza -**
7 **New International Terminal Food and Beverage Lease; Books, Inc. - North Terminal**
8 **Bookstore Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area “F”**
9 **Cosmetic and Toiletries Lease; CalStar Retail, Inc. - Boarding Area “F” Newsstand**
10 **Lease and North Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport**
11 **Advertising Program Lease and SFO Cyber Room Technology Showcase Lease; D.**
12 **Mitchell Concessions dba Harry Denton’s - New International Terminal Food and**
13 **Beverage Lease; D-Lew Enterprises dba Il Fornaio - New International Terminal Food**
14 **and Beverage Lease; Deli-Up Enterprises, LLC - New International Terminal Food and**
15 **Beverage Lease; Discovery Channel Stores - New International Terminal Nature Theme**
16 **Store Lease; Ebisu, Inc. - New International Terminal Food and Beverage Lease;**
17 **Emporio Rulli - New International Terminal Food and Beverage Lease; Fung Lum**
18 **Express, LLC - New International Terminal Food and Beverage Lease; Gotham Foods**
19 **Two, LLC dba Firewood Café - New International Terminal Food and Beverage Lease;**
20 **Harbor Airport, LLC dba Harbor Village - New International Terminal Food and Beverage**
21 **Lease; Host International, Inc. - North Terminal Concession Opportunity Lease,**
22 **Boarding Areas “B” and “C” Bookstores Lease, New International Terminal Aviation**
23 **Store Lease, and North Terminal Hub Principal Retail Concession Lease; Lori’s Diner**
24 **International - New International Terminal Food and Beverage Lease; Nidal Nazzal dba**
25 **Burger Joint - New International Terminal Food and Beverage Lease; North Terminal**

1 Shines - Shoeshine Service Lease; OSI-MB-Boarding Area "F" Executive Writing
2 Instruments Lease; Pacific Gateway Concessions, LLC - Boarding Areas "B" and "C"
3 Principal Retail Concession Lease; Pacific Golf Partners, LLC - New International
4 Terminal Golf Shop Lease; Polk-Townsend and Associates dba Café Metro - New
5 International Terminal Food and Beverage Lease; Rosedale-Wilsons dba Wilsons
6 Leather - North Terminal Concourse Fine Leather Goods Lease; San Francisco Museum
7 of Modern Art - New International Terminal Museum Store Lease; See's Candies, Inc. -
8 North Terminal Candy Store Lease (upon execution of the Lease); SFO Hairport - New
9 International Terminal Hair Salon Lease; Smarte Carte - Public Lockers and
10 Over-the-Counter Baggage Lease; Tomokazu Japanese Cuisine (SFO), Inc. - New
11 International Terminal Food and Beverage Lease; Travelex America, Inc. - ATM Lease A
12 in the New International Terminal, ATM Lease B in the New International Terminal, and
13 Foreign Currency Lease; U-Threads - Boarding Area "F" Collegiate Apparel Lease; WH
14 Smith Hotel Services - New International Terminal Bookstore/Café Lease; and Yoko, Inc.
15 dba Osho Japanese Cuisine - New International Terminal Food and Beverage Lease; and
16 the City and County of San Francisco, Acting by and through its Airport Commission.

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18 WHEREAS, The events of September 11, ~~2002~~ 2001, in conjunction with the softening
19 dot.com bust economy, have together drastically affected Airport tenants' revenues; and

20 WHEREAS, The Airport's retail, food and beverage, and passenger services tenants
21 have since represented that they cannot meet the demands of the lease(s) with respect to the
22 Minimum Annual Guarantees (MAGs); and

23 WHEREAS, In response, the Airport Commission approved Resolution No. 02-0039,
24 approved the Airport Concession Support Program, which is a comprehensive long-term plan to
25 provide support to the Airport's tenants; now, therefore, be it

Airport Commission

BOARD OF SUPERVISORS

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1 RESOLVED, That the Board of Supervisors hereby approves, retroactive to September
2 11, 2001, the Airport Concession Support Program, as follows:

3 **1. MAG Suspensions/Reinstatements**

- 4 • Suspends the Minimum Annual Guarantees (“MAGs”) of Action Cellular
5 -Cellular Phone Rental Service Lease; Books, Inc. - North Terminal Bookstore
6 Lease; CalStar Retail, Inc. - Boarding Area “F” Newsstand Lease and North
7 Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport
8 Advertising Program Lease and SFO Cyber Room Technology Showcase
9 Lease; Discovery Channel - New International Terminal Nature Theme Store
10 Lease; Host International, Inc. - North Terminal Concession Opportunity
11 Lease, Boarding Areas “B” and “C” Bookstores Lease, New International
12 Terminal Aviation Store Lease, and North Terminal Hub Principal Retail
13 Concession Lease; North Terminal Shines - Shoeshine Service Lease;
14 OSI-MB-Boarding Area “F” Executive Writing Instruments Lease; Pacific
15 Gateway Concessions - Boarding Areas “B” and “C” Principal Retail
16 Concession Lease; Pacific Golf Partners, LLC - New International Terminal
17 Golf Shop Lease; San Francisco Museum of Modern Art - New International
18 Terminal Museum Store Lease; See’s Candies, Inc. - North Terminal Candy
19 Store Lease (upon execution of the Lease); SFO Hairport - New International
20 Hair Salon Lease; Smarte Carte - Public Lockers and Over-the-Counter
21 Baggage Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area
22 “F” Cosmetic and Toiletries Lease; Travelex - ATM Lease in the New
23 International Terminal, ATM Lease B in the New International Terminal, and
24 Foreign Currency Lease; U-Threads - Boarding Area “F” Collegiate Apparel
25 Lease; WH Smith Hotel Services - New International Terminal Bookstore/Café

1 Lease; and Rosedale-Wilsons dba Wilsons Leather - North Terminal
2 Concourse Fine Leather Goods Lease; and requires such tenants to pay the
3 percentage rent specified in their respective leases, except as otherwise
4 provided below.

- 5 • Reinstates the MAGs once monthly enplanements equal or exceed 85% of the
6 enplanements for the same month in year 2000 for two (2) consecutive
7 months. Each enplanement comparison would be done by the “Relevant
8 Boarding Area”. MAGs would not be suspended thereafter. However, in no
9 event will MAG reinstatement occur before April 1, 2002.
- 10 • In the event a tenant delays or refuses to execute an appropriate lease
11 amendment reflecting these amended terms and conditions, the MAG of such
12 tenant shall be reinstated immediately upon written notice from the Airport
13 Director.

14 **2. Lease Term Extensions**

15 Grants to the following tenants an option permitting them to extend the terms of their
16 respective leases for one 5-year period due to the significant build-out costs incurred:
17 Action Cellular - Cellular Phone Rental Service Lease; Andale SFO - New International
18 Terminal Food and Beverage Lease; Bank of America - Domestic Banking Services
19 Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza - New International
20 Terminal Food and Beverage Lease; Books, Inc. - North Terminal Bookstore Lease;
21 Buth-na-Bodhaige, Inc. dba The Body Shop - Boarding Area “F” Cosmetic and Toiletries
22 Lease; Polk-Townsend and Associates dba Café Metro - New International Terminal
23 Food and Beverage Lease; CalStar Retail, Inc. - Boarding Area “F” Newsstand Lease
24 and North Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport
25 Advertising Program Lease and SFO Cyber Room Technology Showcase Lease; D.

1 Mitchell Enterprises dba Harry Denton's - New International Terminal Food and
2 Beverage Lease; D-Lew Enterprises dba Il Fornaio - New International Terminal Food
3 and Beverage Lease; Deli-Up Enterprises, LLC - New International Terminal Food and
4 Beverage Lease; Discovery Channel Stores - New International Terminal Nature Theme
5 Store Lease; Ebisu - New International Terminal Food and Beverage Lease; Emporio
6 Rulli - New International Terminal Food and Beverage Lease; Fung Lum Express, LLC -
7 New International Terminal Food and Beverage Lease; Harbor Airport, LLC dba Harbor
8 Village - New International Terminal Food and Beverage Lease; Gotham Foods Two
9 LLC dba Firewood Café - New International Terminal Food and Beverage Lease; Host
10 International, Inc. - North Terminal Concession Opportunity Lease, Boarding Areas "B"
11 and "C" Bookstores Lease, New International Terminal Aviation Store Lease, and North
12 Terminal Hub Principal Retail Concession Lease; Lori's Diner International - New
13 International Terminal Food and Beverage Lease; Nidal Nazzal dba Burger Joint - New
14 International Terminal Food and Beverage Lease; North Terminal Shines - Shoeshine
15 Service Lease; OSI-MB - Boarding Area "F" Executive Writing Instruments Lease;
16 Pacific Gateway Concessions, LLC - Boarding Areas "B" and "C" Principal Retail
17 Concession; Pacific Golf Partners, LLC - New International Terminal Golf Shop Lease;
18 Rosedale-Wilsons dba Wilsons Leather - North Terminal Concourse Fine Leather Goods
19 Lease; San Francisco Museum of Modern Art - New International Terminal Museum
20 Store Lease; See's Candies, Inc. - North Terminal Candy Store Lease (upon execution
21 of the Lease); SFO Hairport - New International Terminal Hair Salon; Tomokazu
22 Japanese Cuisine (SFO), Inc. - New International Terminal Food and Beverage Lease;
23 Travelex America - ATM Lease in the New International Terminal, ATM Lease B in the
24 New International Terminal, and Foreign Currency Lease; U-Threads - Boarding Area
25 "F" Collegiate Apparel Lease; WH Smith Hotel Services - New International Terminal

1 Bookstore/Café Lease; and Yoko, Inc. dba Osho Japanese Cuisine - New International
2 Terminal Food and Beverage Lease.

3 Such option would be exercisable by the tenant on or before the date that is one year
4 before the current lease expiration date.

5 **3. DFS Post-Security Master Retail Duty Free/Duty Paid Lease**

6 Specifies the following terms and conditions for DFS, by Airport Commission Resolution
7 No. 02-0072, adopted April 2, 2002, under the Concession Support Program:

- 8 • Suspend DFS' MAG applicable to duty free goods until December 31, 2002 and
9 require DFS to pay percentage rent of 30% on duty free goods, except as
10 otherwise provided below. For purposes of the Program, the MAG applicable to
11 duty free goods is equal to ninety percent (90%) of the MAG specified in the Post
12 Security Master Retail Lease ("Duty Free MAG").
- 13 • Reinstate DFS' duty free MAG if monthly gross revenues of duty free goods equal
14 or exceed five million dollars (\$5,000,000) per month for two (2) consecutive
15 months. For example, if the gross revenues generated by the sale of duty free
16 goods for the months of April 2002 and May 2002, respectively, equal or exceed
17 \$5,000,000, DFS' Duty Free MAG would be reinstated effective May 1, 2002.
18 DFS' Duty Free MAG would not be adjusted or suspended thereafter.
- 19 • Suspend DFS' Minimum Annual Guarantee applicable to duty paid goods and
20 require DFS to pay the percentage rent specified in the lease on duty paid goods.
21 For purposes of the Program, the MAG applicable to duty paid goods equals ten
22 percent (10%) of the MAG specified in the Post Security Master Retail Lease
23 ("Duty Paid MAG").
- 24 • Reinstate DFS' Duty Paid MAG for duty paid goods once monthly enplanements
25 equal or exceed 85% of the enplanements for the same month in year 2000 for

1 two (2) consecutive months. Such comparison would be done by comparing the
2 combined enplanements for International Terminal Boarding Area A and
3 International Terminal Boarding Area G (the "Relevant Boarding Area"). The Duty
4 Paid MAG would not be adjusted or suspended thereafter.

- 5 • DFS will be required to submit the customary sales reports and the Airport will
6 have appropriate audit rights.
- 7 • Grant DFS an option to extend the term of its lease for one five-year period. Such
8 option would be exercisable on or before the date that is one year before the
9 current lease expiration date.

10 **4. Travelex Percentage Rent Structure**

11 Travelex America holds three leases at the Airport: two for Automated Teller Machines
12 in the New International Terminal, and the lease for Foreign Currency Exchange
13 Services.

14 International Terminal ATM Lease "A" and B"

15 The rent paid by Travelex for the ATM leases is the sum of: (a) the MAG, plus b)
16 33% of Transaction Surcharges ("Percentage Rent), plus c) \$0.10 per customer
17 use ("Transaction Rent").

18 Given the unique rent structure of the Travelex ATM leases, the Airport
19 Commission authorized, in Resolution No. 02-0039, the following percentage rent
20 structure for the Travelex ATM leases during the MAG suspension period:

- 21 • 35% of the fees for 0 to 32,000 surchargeable transactions, plus
- 22 • 50% of the fees for 32,000 to 50,000 surchargeable transactions, plus
- 23 • 60% of the fees for 50,000+ surchargeable transactions.

24 Each Travelex ATM Lease MAG shall be reinstated in accordance with Section 1
25 above. Upon reinstatement of its ATM MAGs, Travelex shall, in accordance with

1 its leases, pay the sum of a) the MAG, plus b) 33% of Transaction Surcharges,
2 plus c) \$0.10 per customer use.

3 Additionally, Travelex was granted an option to extend the term of the ATM
4 Leases for one five-year period. Such option would be exercisable on or before
5 the date that is one year before the current lease expiration dates.

6 Foreign Currency Exchange Lease

7 The Travelex Foreign Currency Exchange Lease does not include a percentage
8 rent structure. Rather the Lease specifies that Travelex shall pay the greater of
9 the MAG or \$0.88 per enplaned international passenger. In Resolution No.
10 02-0039, the Airport Commission authorized a percentage rent structure for
11 Travelex's Foreign Currency Exchange Lease as follows:

- 12 4.25% of \$0 to \$50,000,000 in currency transactions, plus
- 13 5% of \$50,000,000.01 to \$60,000,000 in currency transactions, plus
- 14 5.25% over \$60,000,000 in currency transactions.

15 Subsequently, staff engaged in further discussions with Travelex regarding the
16 Foreign Currency Exchange Lease and, by Resolution No. 02-0072, the Airport
17 Commission approved the following rent structure for Travelex's Foreign
18 Currency Exchange Lease during the MAG Suspension period:

- 19 • Suspend Travelex's MAG for Foreign Currency Exchange until December
20 31, 2002, and require Travelex to pay the Passenger-Based Fee of
21 eighty-eight cents (\$0.88) per Enplanement as specified in the lease.
- 22 • Travelex will be required to submit the customary sales reports and the
23 Airport will have appropriate audit rights.

- Reinstated Travelex's MAG for Foreign Currency Exchange effective January 1, 2003. The MAG would not be adjusted or suspended thereafter.
- In the event Travelex shall default, the Airport Director may immediately reinstate the MAG without the benefit of any notice or right to cure as may otherwise be provided under its lease.

Travelex was also granted an option to extend the term of the Foreign Currency Exchange Lease for one five-year period. Such option would be exercisable on or before the date that is one year before the current lease expiration date.

5. Adjust Percentage Rent Structure for Certain Post-Security Food/Beverage Operators

The following post-security restaurants are focused on the sale of food (restaurant classification) and not the sale of liquor (bar classification): Andale SFO, D. Mitchell Concessions dba Harry Denton's, and Gotham Foods Two LLC dba Firewood Café. Thus, in Resolution No. 02-0039, the Airport Commission adjusted the percentage rent structures for these leases to be in line with other food-dominated restaurants as follows:

- 6% of Gross Revenues achieved up to and including \$1,000,000; plus
- 8% of Gross Revenues achieved over \$1,000,000 up to and including \$1,500,000; plus
- 10% of Gross Revenues achieved over \$1,500,000.

The MAG amounts for these leases will not change.

6. Clear Channel Outdoor dba Clear Channel Airports (formerly known as Transportation Media, Inc.) ("Clear Channel") – Airport Advertising Program Lease

1 Clear Channel Airport's Advertising Program Lease was included in the Concession
2 Support Program. Subsequently, staff engaged in further discussions with Clear
3 Channel Airport, which resulted in the following:

- 4 • Resolution No. 02-0062, adopted by the Commission on March 5, 2002 approved
5 additional locations in the baggage claim level of the Terminal Buildings and the
6 sterile corridors of International Terminal's arrivals level. This same resolution
7 also reinstated the MAG for the Airport Advertising Program Lease effective April
8 1, 2002.

- 9 • Resolution No. 02-0071, adopted April 2, 2002, approved the amended MAG
10 Increase Schedule as follows:

11 Lease Year 2	\$4,100,000
12 Lease Year 3	\$4,200,000
13 Lease Year 4	\$4,300,000
14 Lease Year 5	\$4,800,000

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16 • Resolution No. 02-0071 also allowed for the MAG adjustment calculations be
17 based on the greater of 85% of the previous year's rent paid or the above MAG
18 Increase Schedule, instead of the Consumer Price Index adjustment.

19 Clear Channel was also granted an option to extend the term of the Airport Advertising
20 Program Lease for one five-year period. Such option would be exercisable on or before
21 the date that is one year before the current lease expiration date; and, be it

22 FURTHER RESOLVED, That the Airport Director shall take all steps necessary to
23 implement such program, including the execution of appropriate lease amendments; and, be it

1 FURTHER RESOLVED, That the Airport Director is requested to submit a written report
2 to the Board on or about April 1, 2003, detailing the status of passenger traffic levels and its
3 impact on the subject leases.
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