

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. **21-0006**

APPROVAL OF AMENDMENT NO. 1 TO THE BOARDING AREA C COFFEE SHOP LEASE NO. 14-0046 WITH GREEN BEANS COFFEE OSTERIA – SFO GROUP, AND DIRECT THE COMMISSION SECRETARY TO FORWARD AMENDMENT NO. 1 TO THE BOARD OF SUPERVISORS FOR APPROVAL

- WHEREAS, on March 18, 2014, by Resolution No. 14-0046, the Airport Commission (Commission) awarded the Boarding Area C Coffee Shop Lease No. 14-0046 (Lease) to Green Beans Coffee Osteria – SFO Group (Tenant) to operate a coffee shop, comprised of approximately 1,102 square feet located pre-security of Boarding Area C (the Original Premises), for a term of ten years (the Original Term); and
- WHEREAS, in October 2016, the Airport commenced the Harvey Milk Terminal 1 Redevelopment Project (the HMT1 Project); and
- WHEREAS, in April 2020, Phase 4 of the HMT1 Project commenced (Phase 4); and
- WHEREAS, in July 2020, the Boarding Area C security checkpoint as well as the ticketing lobby permanently closed resulting in the elimination of all passenger traffic to the Original Premises, and Tenant closed operations on July 14, 2020, almost five years prior to the expiration of the Original Term; and
- WHEREAS, in September 2020, due to budget constraints caused by the COVID-19 pandemic, the Airport suspended Phase 4; and
- WHEREAS, Phase 4 of the project is anticipated to resume between late 2021 and early 2022; and
- WHEREAS, Staff proposes to relocate Tenant’s operations to a new facility consisting of approximately 1,275 square feet located pre-security of Harvey Milk Terminal 1 check-in lobby (the Replacement Premises); and
- WHEREAS, as part of the relocation, the Airport and Tenant will enter into a lease amendment that will provide for the Airport’s reimbursement to Tenant of its unamortized costs relating to the Original Premises, Tenant’s funding of all construction costs relating to the Replacement Premises in the Minimum Investment Amount of \$1,000 per square foot, which is financially advantageous to the Airport, and Tenant will receive a lease extension of ten years from the commencement date of the Replacement Premises; now, therefore, be it

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RESOLVED, that this Commission hereby approves Amendment No. 1 to the Boarding Area C Coffee Shop Lease No. 14-0046 with Green Beans Coffee Osteria – SFO Group, on the terms and conditions stated above and in the Director’s Memorandum accompanying this Resolution; and, be it further

RESOLVED, that this Commission hereby directs the Commission Secretary to forward Amendment No. 1 to the Board of Supervisors for approval pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

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I hereby certify that the foregoing resolution was adopted by the Airport Commission
JAN 19 2021
at its meeting of _____

Secretary



MEMORANDUM

January 19, 2021

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Eleanor Johns, Vice President
Hon. Richard J. Guggenlime
Hon. Everett A. Hewlett, Jr.
Hon. Malcolm Yeung

21-0006

JAN 19 2021

FROM: Airport Director

SUBJECT: Approval of Amendment No. 1 to the Boarding Area C Coffee Shop Lease
No. 14-0046 with Green Beans Coffee Osteria – SFO Group

DIRECTOR’S RECOMMENDATION: (1) APPROVE AMENDMENT NO. 1 TO THE BOARDING AREA C COFFEE SHOP LEASE NO. 14-0046 WITH GREEN BEANS COFFEE OSTERIA – SFO GROUP, WHICH PROVIDES FOR A REPLACEMENT PREMISES FOR THE EXISTING GREEN BEANS COFFEE PREMISES, A REIMBURSEMENT FOR TENANT’S UNAMORTIZED CONSTRUCTION COSTS RELATING TO THE EXISTING PREMISES, AN EXTENSION OF THE EXISTING TERM BY TEN YEARS, AND (2) DIRECT THE COMMISSION SECRETARY TO FORWARD AMENDMENT NO. 1 TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

Green Beans Coffee Osteria – SFO Group (Tenant) operated the Green Beans Coffee facility in pre-security of Boarding Area C under Lease No. 14-0046 (Lease) at the San Francisco International Airport (the Airport). Due to the construction of Phase 4 of the Harvey Milk Terminal 1 Project (the HMT1 Project), the original premises were forced to permanently close on July 14, 2020 with approximately five years remaining on the term of the Lease. Staff proposes entering into Lease Amendment No. 1 with Tenant to relocate the facility to a replacement premises pre-security in the check-in lobby of Harvey Milk Terminal 1. As part of the relocation, the Airport will provide a reimbursement for unamortized construction costs relating to the original premises, a new term of ten years to permit Tenant to fully amortize its construction costs for the new facility, and related terms.

Background

On March 18, 2014, by Resolution No. 14-0046, the Airport Commission (Commission) approved the Lease with Tenant to operate a coffee shop, comprised of approximately 1,102 square feet in the pre-security area of Boarding Area C (the Original Premises), for a term of ten years (the Original Term).

THIS PRINT COVERS CALENDAR ITEM NO. 7

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR LARRY MAZZOLA PRESIDENT ELEANOR JOHNS VICE PRESIDENT RICHARD J. GUGGENHIME EVERETT A. HEWLETT, JR. MALCOLM YEUNG IVAR C. SATERO AIRPORT DIRECTOR

In October 2016, the Airport commenced the HMT1 Project. In April 2020, the Airport commenced Phase 4 of the HMT1 Project (Phase 4), and in July 2020, permanently closed the Boarding Area C checkpoint. Barricades were erected at the pre-security ticket counters, restricting access between pre-security areas of Boarding Areas B & C, entirely cutting off passenger traffic flow to the Original Premises. This total reduction in passenger traffic forced Green Beans to permanently close on July 14, 2020, almost five years prior to the expiration of the Original Term.

In September 2020, the Airport suspended Phase 4 due to budget constraints caused by the COVID-19 pandemic. Staff expects Phase 4 to resume between the later part of 2021 and early 2022.

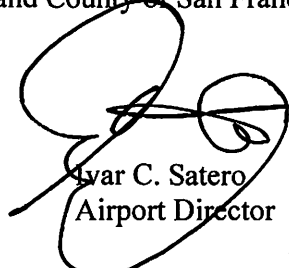
The Airport has identified replacement premises for Tenant, comprised of approximately 1,275 square feet, located pre-security of the Harvey Milk Terminal 1 check-in lobby (the Replacement Premises). Tenant is amenable to leasing such space under the proposed terms and conditions set forth below.

Lease Amendment No. 1 Proposal

1. **Replacement Premises**
Approximately 1,275 square feet, pre-security of the Harvey Milk Terminal 1 check-in lobby. Tenant, at its sole cost and expense, will design, construct, and refurbish the interior and exterior of the Replacement Premises in the same condition as required for the Original Premises.
2. **Reimbursement of Unamortized Construction Costs**
Tenant will be reimbursed \$357,225 for unamortized construction costs for the Original Premises.
3. **Replacement Premises Commencement Date**
The Commencement Date will be the date the Replacement Premises is ready for Tenant to take possession and begin tenant improvements. Tenant will have a development term of 180 days to complete its tenant improvements and open for business.
4. **Term Extension**
As consideration for Tenant agreeing to relinquish the Original Premises and build out an entirely new facility, which is financially advantageous for the Airport, the Original Term will be extended for ten years from the earlier to occur of (i) the end of the development term of the Replacement Premises and (ii) the date that the Replacement Premises is open for business.
5. **Rent and Other Fees and Charges**
Rent and other fees and charges, which are tied to the square footage of the premises, will be adjusted based on the difference in square footage between the Original Premises and the Replacement Premises.
6. **Minimum Investment Amount**
The Minimum Investment Amount will be funded entirely by Tenant and will be equal to \$1,000 per square foot of the Replacement Premises.

Recommendation

I recommend this Commission approve Amendment No. 1 to the Boarding Area C Coffee Shop Lease No. 14-0046 with Green Beans Coffee Osteria – SFO Group, and direct the Commission Secretary to forward Amendment No. 1 to the Board of Supervisors for approval pursuant to Section 9.118 of the Charter of the City and County of San Francisco.



Evar C. Satero
Airport Director

Prepared by: Kevin Bumen
Chief Commercial Officer

Attachments

Attachment 1

Boarding Area C Coffee Shop Lease

