

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0224

COVID-19 LEASE EXTENSION PROGRAM FOR CERTAIN AIRPORT FOOD AND BEVERAGE, RETAIL, AND SERVICE CONCESSION TENANTS

- WHEREAS, flight and passenger activity immediately and dramatically declined after the March 11, 2020 COVID-19 pandemic declaration by the World Health Organization; and
- WHEREAS, on March 13, 2020, President Trump declared COVID-19 a national emergency, and on March 17, 2020, a “Shelter-In-Place” order was issued by public health officials from six Bay Area counties, including San Francisco and San Mateo; and
- WHEREAS, the number of food and beverage, retail, and service concession locations in operation at the Airport went from 149 to 27 within days of the Shelter-in-Place order; and
- WHEREAS, all concessions locations have opened, however, passenger enplanement activity is still down 18.2% from pre-pandemic levels in 2019 as of May 2023; and
- WHEREAS, while concessionaires have been supported by federal stimulus and grant programs, there is still a multi-year recovery period planned for the return of passenger activity; and
- WHEREAS, most concessionaires were awarded leases, in part, based upon rent they would pay during their lease terms and made significant investments in tenant build-out and have ongoing operational costs; and
- WHEREAS, the business deals upon which the rents were established, and the financial offers made by the tenants were based upon a projected pre-pandemic level of enplanements; and
- WHEREAS, while minimum annual guarantees were suspended based upon the “Severe Decline in Enplanement” lease provision in the concession leases (with some remaining suspended to date), tenant re-openings have been phased, and the federal stimulus program have all provided relief in the near term, the expected four to five-year recovery period places all leases in a different financial position than what was originally underwritten by tenants; and
- WHEREAS, Staff recommends authorization for the Airport Director to execute lease amendments extending the term for certain food and beverage, retail, and service concession tenants that had an active lease during the COVID-19 pandemic or opened during the pandemic and which are currently operating, as listed in Attachments A, B, and C attached to the Airport Director’s memorandum accompanying this Resolution and incorporated by reference (Eligible Concessionaires); and

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- WHEREAS, Eligible Concessionaires that were in operation at the start of the COVID-19 pandemic in March 2020 will receive an extension of three and one-half years, Eligible Concessionaires that were not in operation at the start of the pandemic but subsequently commenced operation during the COVID-19 pandemic will receive an extension equal to the number of months they operated within the pandemic, which for the purposes of this extension program (COVID-19 Lease Extension Program) is the three and one-half year period between March 2020 and August 2023; and
- WHEREAS, Clear Channel Outdoor, LLC is required to install its permanent equipment in Harvey Milk Terminal 1, as specified in its lease, in order to be eligible for the COVID-19 Lease Extension Program; and
- WHEREAS, the lease extensions will apply to the base terms of each lease and will not affect any extension options in favor of the Airport Commission; if a lease has already been extended, the extension term granted under the COVID-19 Lease Extension Program will be added to the end of the current extension term; if a lease is in a holdover, the extension term granted will begin upon the first day of the month following all required City approvals of the COVID-19 Lease Extension Program; and if the Airport must terminate any lease shown on Attachments A, B, and C early, the term added under the COVID-19 Lease Extension Program will not be utilized in calculating a buy-out of unamortized hard construction costs, if one is determined to be appropriate; and
- WHEREAS, the lease extensions being offered under the COVID-19 Lease Extension Program are appropriate because they will help concession tenants mitigate business losses during and after the pandemic by allowing for a longer period for the amortization of tenant improvement costs, and will allow them to better recoup current business losses in the latter years of their leases when enplanements are anticipated to be higher; and
- WHEREAS, to ensure fairness and for efficiency, the proposed amendments will be substantially standardized in form depending on the specific category of concessionaire, and as a condition to receiving the extensions of lease term under the COVID-19 Lease Extension Program, each tenant must agree in the amendment to comply with: (i) updated City and County of San Francisco contracting requirements, (ii) new Airport Rule 12.3 (Prevailing Wage Requirements – Covered Tenant Construction), and (iii) revised Rule 12.1 (Labor Peace/Card Check Rule); now, therefore, be it

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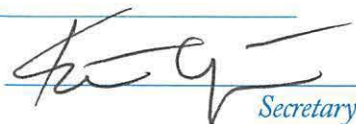
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RESOLVED, that this Commission hereby authorizes the Airport Director to implement the COVID-19 Lease Extension Program, as defined above, by executing appropriate amendments of leases with certain food and beverage, retail, and service concession tenants that had an active lease during the COVID-19 pandemic or opened during the pandemic and which are currently operating concessionaires, as listed on Attachments A, B, and C attached to the Airport Director's memorandum accompanying this Resolution, in form and substance acceptable to the Airport Director, consistent with the terms stated above and on the other terms and conditions provided in the Airport Director's accompanying memorandum; and, be it further

RESOLVED, that this Commission directs the Commission Secretary to seek approval from the San Francisco Board of Supervisors for those lease amendments requiring such approval under 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
= SEP 5 2023
at its meeting of _____



Secretary