



San Francisco International Airport

MEMORANDUM
September 19, 2023

23-0234

TO: AIRPORT COMMISSION
Hon. Malcolm Yeung, President
Hon. Everett A. Hewlett, Jr., Vice President
Hon. Jane Natoli
Hon. Jose F. Almanza

SEP 19 2023

FROM: Airport Director

SUBJECT: Award of the Three Harvey Milk Terminal 1 Food and Beverage Leases

DIRECTOR'S RECOMMENDATION: (1) AWARD HARVEY MILK TERMINAL 1 FOOD AND BEVERAGE FOOD HALL LEASE AND THE HISTORIC RESTAURANT LEASE TO TASTES ON THE FLY SAN FRANCISCO, LLC AND THE HARVEY MILK TERMINAL 1 FOOD AND BEVERAGE CASUAL SIT-DOWN LEASE TO AMOURA INTERNATIONAL, INC., AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS PURSUANT TO SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

Executive Summary

The proposal evaluation process for the three Harvey Milk Terminal 1 Food and Beverage Leases (Leases) has concluded and Staff recommends award of the Leases to the following operators: Tastes on the Fly San Francisco, LLC (Food Hall Lease and the Historic Restaurant Lease) and Amoura International, Inc. (Casual Sit-Down Restaurant Lease).

Background

On April 4, 2023, by Resolution No. 23-0084, the Airport Commission (Commission) authorized Staff to commence the competitive selection process for the Leases through a Request for Proposals (RFP).

Staff issued the RFP and conducted an informational conference at which each of the Lease opportunities were presented to the interested parties. Staff gathered feedback from those in attendance and evaluated the requests for changes to business terms where appropriate.

On June 20, 2023, by Resolution No. 23-0165, the Commission approved the lease specifications and authorized Staff to accept proposals. In response to the RFP, the Airport received five proposals by the August 2, 2023 submittal deadline; however, one of the proposals for the Historic Restaurant Lease was disqualified for failure to meet the minimum qualifications.

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A four-member evaluation panel was convened to review and score the qualifying proposals. The panel consisted of the following: the Director of Revenue Generation & Partnership Development from San Diego International Airport, the SFO Director of Station from American Airlines, a Senior Aviation Commercial Planning Manager from ICF International, Inc., and a Property Manager from SFO Aviation Management. The evaluation panel's selections for the highest-ranking, responsive, and responsible proposers are identified below, along with all other qualifying proposers for each Lease. The Minimum Annual Guarantee (MAG) for the first lease year and percentage rent structure are also identified, with base rent being the greater of the MAG or percentage rent. All Leases have a term of 14 years, with one option to extend by two years, exercisable at the sole and absolute discretion of the Commission.

Food Hall Lease

MAG - \$1,250,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$5,000,000.00; plus 10% of Gross Revenues achieved between \$5,000,000.01 and \$7,500,000.00; plus 12% of Gross Revenues achieved over \$7,500,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u> Tastes on the Fly San Francisco, LLC	SF Eats Food Hall	91

Historic Restaurant Lease

MAG - \$550,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$1,500,000.00, plus 10% of Gross Revenues achieved from \$1,500,000.01 up to and including \$2,000,000.00, plus 12% of Gross Revenues achieved over \$2,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u> Tastes on the Fly San Francisco, LLC	Perry's	90
Vine Dining Enterprises, Inc.	Left Bank Brasserie	86

Casual Sit-Down Restaurant Lease

MAG - \$450,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$1,500,000.00, plus 10% of Gross Revenues achieved from \$1,500,000.01 up to and including \$2,000,000.00, plus 12% of Gross Revenues achieved over \$2,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u> Amoura International, Inc.	Taste of the City	82

Tastes on the Fly San Francisco, LLC and Amoura International, Inc. are both long-standing tenants and have operated several facilities at the Airport since 2000.

Recommendation

I recommend this Commission (1) award the Harvey Milk Terminal 1 Food and Beverage Food Hall Lease and the Historic Restaurant Lease to Tastes on the Fly San Francisco, LLC and the Casual Sit-Down Restaurant Lease to Amoura International, Inc.; and (2) direct the Commission Secretary to request approval of the leases from the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.



Ivar C. Satero
Airport Director

Prepared by: Kevin Bumen
Chief Financial and Commercial Officer

Attachments

Attachment 1

PROPOSED THREE HARVEY MILK TERMINAL 1 FOOD AND BEVERAGE LEASES

