

San Francisco International Airport

MEMORANDUM

March 20, 2018

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

FROM: Airport Director

SUBJECT: Award of Four Terminal 2 Concession Leases

18-0071  
 18-0072  
 18-0073  
 18-0074

MAR 20 2018

DIRECTOR'S RECOMMENDATION: (1) APPROVE THE RECOMMENDED OPERATORS AND AWARD FOUR TERMINAL 2 CONCESSION LEASES, COMPRISED OF THREE SPECIALTY RETAIL CONCESSION LEASES AND ONE CASUAL DINING FOOD & BEVERAGE CONCESSION LEASE; AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The proposal evaluation process for four Terminal 2 Concession Leases ("Leases") has concluded and award is recommended for four Leases. The proposers for which approval is sought are: Brookstone SFO T-2, LLC (Specialty Retail Lease No. 1, Electronics/Travel); Avila Retail Development & Management, LLC (Specialty Retail Lease No. 2, Local Gifts); Canonica New York, LLC (Specialty Retail Lease No. 3, Candy/Confections); and, SSP America, Inc. (Food & Beverage Lease No. 6, Casual Dining).

Background

By Resolution No. 17-0190 adopted on August 15, 2017, the Airport Commission ("Commission") authorized Staff to commence the competitive selection process and issue two Requests for Proposals ("RFPs") for leases in Terminal 2. One Request for Proposals included Terminal 2 Specialty Retail Concession Lease Nos. 1 through 5. The other Request for Proposals was for the Terminal 2 Casual Dining Food & Beverage Concession Lease No. 6.

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.

By Resolution No. 17-0306 adopted December 5, 2017, the Commission approved the minimum requirements and lease specifications, and authorized Staff to accept proposals.

THIS PRINT COVERS CALENDAR ITEM NO. 3

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

MARK FARRELL  
MAYORLARRY MAZZOLA  
PRESIDENTLINDA S. CRAYTON  
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

IVAR C. SATERO  
AIRPORT DIRECTOR

In response to the RFP, the Airport received 16 proposals by the January 31, 2018 Submittal Deadline for Lease Nos. 1, 2, 3, and 6. The Airport did not receive any proposals for Specialty Retail Lease No. 4, Museum Store. Staff postponed the deadline for Specialty Retail Lease No. 5 until April 11, 2018, due to the concept change from Sunglasses & Cosmetics to a Wellness Center.

The following proposer was deemed nonresponsive:

1. San Francisco Candy Purveyors – did not meet the minimum qualification requirements.

Staff determined that the remaining proposals met the RFP's minimum qualifications. An evaluation panel was convened to review and score the qualifying proposals. The panel members consisted of an airport executive, an airport consultant, a customer service manager, an airline director, and a travel industry director. The evaluation panel's selections for highest ranking, responsive, and responsible proposers are identified below, along with all other proposers for each lease. 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).

**Specialty Retail Lease No. 1 – Electronics/Travel**

MAG - \$325,000.00. Percentage Rent – 12% of Gross Revenues achieved up to and including \$500,000.00, plus 14% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 16% of Gross Revenues achieved over \$1,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest Ranking:</u> Brookstone SFO T-2, LLC	Brookstone	80.32
InMotion Entertainment Group, LLC	InMotion	79.64

**Specialty Retail Lease No. 2 – Local Gifts**

MAG - \$200,000.00. Percentage Rent – 12% of Gross Revenues achieved up to and including \$500,000.00, plus 14% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 16% of Gross Revenues achieved over \$1,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest Ranking:</u> Avila Retail Development & Management, LLC	Greetings From San Francisco	84.59
MRG San Francisco, LLC	SFOriginals	83.68

**Specialty Retail Lease No. 3 – Candy/Confections**

MAG - \$175,000.00. Percentage Rent – 12% of Gross Revenues achieved up to and including \$500,000.00, plus 14% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 16% of Gross Revenues achieved over \$1,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest Ranking:</u> Canonica New York, LLC	The Chocolate Market	81.66
Melshire DFW, LP	Natalie's Candy Jar	79.49
Pacific Gateway Concessions, LLC	See's Candies	79.52

**Food & Beverage Lease No. 6 – Casual Dining**

MAG - \$250,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$600,000.00, plus 10% of Gross Revenues achieved from \$600,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest Ranking:</u> SSP America, Inc.	Sweet Maple	86.14
Amoura International, Inc.	Amoura Creperie	80.42
Bayport Concessions, LLC	Mama's of San Francisco	78.20
Beecher's Airport Restaurants	Beecher's Handmade Cheese	79.00
Canonica New York, LLC	Wellness	80.52
Gate 74, Inc.	Stacks, All-American Comfort Food	69.50
HFF-Sababa, LLC	Sababa	85.12
Host International, Inc.	Starbelly	82.76

Three of the four leases recommended have Airport Concession Disadvantaged Business Enterprise ("ACDBE") participation as follows: Brookstone SFO T-2, LLC, 30%; Avila Retail Development & Management, LLC, 100% and SSP America, Inc., 35%.

**Recommendation**

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



Ivar C. Satero  
Airport Director

Prepared by: Leo Fermin  
Chief Business & Finance Officer

Attachments