



San Francisco International Airport

MEMORANDUM

July 10, 2018

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

FROM: Airport Director

SUBJECT: Award of Nine Terminal 1 Food and Beverage Concession Leases

DIRECTOR'S RECOMMENDATION: (1) AWARD NINE TERMINAL 1 FOOD AND BEVERAGE CONCESSION LEASES, AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The proposal evaluation process for nine Terminal 1 Food and Beverage Concession Leases ("Leases") has concluded and Staff recommends award of the Leases to the following operators: Bun Mee, LLC (Lease 1 - Asian Quick Serve Restaurant); SSP America, Inc. (Lease 2 - Mexican, Latin or South American Quick Serve Restaurant); Amy's Kitchen Restaurant Operating Company, LLC (Lease 3 - American Quick Serve Restaurant); Paradies Lagardere @ SFO 2018 (F&B), LLC (Lease 4 - Sit-down Restaurant and Bar); Tastes On The Fly San Francisco, LLC (Lease 5 - Chicken Quick Serve Restaurant); Soaring Food Group, LLC (Lease 6 - Café); Lady Luck Gourmet, LLC (Lease 7 - Asian Quick Serve Restaurant); Host International, Inc. (Lease 8 - Café and Market); and SF Foodways, LLC (Lease 9 - Sit-down Restaurant and Bar).

Background

By Resolution No. 17-0304 adopted on December 5, 2017, the Airport Commission ("Commission") authorized Staff to commence the competitive selection process through a Request for Proposals ("RFP") for the Leases.

Staff issued the RFP and 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. 18-0078 adopted March 20, 2018, the Commission approved the revised lease specifications, and authorized Staff to accept proposals. In response to the RFP, the Airport received 62 proposals by the May 2, 2018 Submittal Deadline. Three of the proposals were rejected and not scored, two of which were for failure to meet the minimum qualifications, and one failed to submit the correct proposal bond amount.

THIS PRINT COVERS CALENDAR ITEM NO. 5

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

MARK FARRELL MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN IVAR C. SATERO AIRPORT DIRECTOR

Staff determined that the remaining proposals met the RFP's minimum qualifications. A four-member evaluation panel was convened to review and score the qualifying proposals. The panel consisted of the following: a former Director of Airport Concessions at Toronto Pearson International Airport, the Founder and Editor of VANE Airport Magazine, a Sr. Vice President at Backstrom McCarley Berry & Co., and a Project Manager for the Airport. The evaluation panel's selections for 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 ten years, with one option to extend by two years, exercisable at the sole discretion of the Commission.

Lease 1 – Asian Quick Serve Restaurant.

MAG - \$365,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 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>		
Bun Mee, LLC	Bun Mee	90.50
Paradies Lagardere @ SFO 2018 (F&B), LLC	Asian Box	88.75
Tastes on the Fly San Francisco, LLC	Out The Door	88.25
Sankaku, Inc.	Sa Su Ke, Sake Sushi House	86.00
Airside Delights SFO Inc.	Shunro	85.75
Lady Luck Gourmet, LLC	Goldilocks Filipino Cuisine	84.50
Teriyaki Madness - SFO Group	Teriyaki Madness	74.75
JDDA Concession Management, Inc.	Panda Express	74.00
Flagship LLC	Yum Roll	69.00

Lease 2 – Mexican, Latin or South American Quick Serve Restaurant

MAG - \$365,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 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.	The Little Chihuahua	89.50
Andale Management Group, Inc.	Andale	81.25
JDDA Concession Management, Inc.	Qdoba	76.50
Nopa Ventures	Tortas Colibri	74.75

Lease 3 – American Quick Serve Restaurant

MAG - \$475,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 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>		
Amy's Kitchen Restaurant Operating Company, LLC	Amy's Drive Thru	88.25
Bay Area Hospitality Group 2 LLC	The Mission	83.75
Beecher's Airport Restaurants-CA1, LLC	Beecher's Handmade Cheese	83.75
Rylo Management, LLC	The Counter	83.25
S.F. Mac & Cheese Kitchen - SFO Group	S.F. Mac & Cheese Kitchen	83.25
The Veggie Grill, Inc.	Veggie Grill	78.75
Gate 74, Inc:	Burger King	72.50
M5 SFO	Jamba Juice & Wetzels	68.75
	Pretzels	

Lease 4 – Sit-Down Restaurant and Bar

MAG - \$600,000.00. 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>		
Paradies Lagardere @ SFO 2018 (F&B), LLC	Bourbon Pub	91.50
Host International, Inc.	Magnolia Brewing	87.50
SSP America, Inc.	Original Joe's	84.75
Bayport Concessions, LLC	Mama's of San Francisco	84.50
Beecher's Airport Restaurants-CA1, LLC	Beecher's Handmade Cheese	83.75
Mission Yogurt, Inc.	San Francisco Joe's	80.00
Nopa Ventures	Parranga	79.25

Lease 5 – Chicken Quick Serve Restaurant

MAG - \$310,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 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>		
Tastes On The Fly San Francisco, LLC	Starbird	91.75
Paradies Lagardere @ SFO 2018 (F&B), LLC	The Organic Coup	87.50

Lease 6 – A Café

MAG - \$385,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 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>		
Soaring Food Group, LLC	Illy Caffè	91.00
Joe & The Juice SFO, LLC	Joe & The Juice	86.00
West Coast, LLC	Max's	86.00
Whisk & Bowl - SFO Group	Whisk & Bowl	82.00
JRenee SFO	Fraiche	75.50
Airport Coffee Experts, LLC	Dogpatch Caffè	71.40
Andre-Boudin Bakeries, Inc.	Boudin's	70.20
SBM SFO	Jamba Juice	69.25
High Flying Foods	Peets Coffee & Tea	67.60
Andale Management Group, Inc.	Ritual Coffee Roasters	65.20
S Two Puffs, LLC	Coffee + pi	59.75

Lease 7 – Asian Quick Serve Restaurant

MAG - \$240,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 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>		
Lady Luck Gourmet, LLC	Goldilocks Filipino Cuisine	91.25
Bun Mee LLC	Bun Mee	86.50
Sankaku, Inc.	Waku Waku	86.00
Bayport Concessions, LLC	Koi Palace Express	84.25
JDDA Concession Management, Inc.	Hibachi-San Japanese Kitchen	78.50
Gate 74, Inc.	Koja Kitchen	78.25
CA Clipper Foods, LLC	Thai Express	78.00
Teriyaki Madness - SFO Group	Teriyaki Madness	73.25
S Two Puffs, LLC	Sous Vide SFO	59.00

Lease 8 – Café & Market

MAG - \$475,000.00. 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>		
Host International, Inc.	The Bistrot Bay Area	91.25
Rylo Management, LLC	Jack Rabbit Market	80.50

Lease 9 – A Sit-Down Restaurant and Bar

MAG - \$620,000.00. 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>		
SF Foodways, LLC	Flyaway by Drake's Brewing Co.	93.75
Host International, Inc.	Sam's Chowder House	87.25
Amoura International	Amoura	86.75
SSP America, Inc.	Trick Dog	86.75
Mission Yogurt, Inc.	Corridor	86.25
Paradies Lagardere @ SFO 2018 (F&B), LLC	Bourbon Pub	86.25
Flagship, LLC	Blatt Beer & Table	77.75

Among the nine leases recommended for award, six are proposers from the Greater Bay Area. The other three proposals were tendered from firms in Bethesda, MD; Lansdowne, VA; and Atlanta, GA, each consisting of a joint venture which includes between 15% to 20% ownership by local partners. Additionally, three of the nine proposers are Airport Concession Disadvantaged Business Enterprise ("ACDBE") certified, and four more proposers included ACDBE partners with 12% to 35% joint venture ownership. Among those recommended for award are six concepts founded in San Francisco and the Bay Area: Amy's Drive Thru, Bun Mee, Bourbon Pub, Flyaway by Drake's Brewing Company, Starbird, and The Little Chihuahua.

Upon request, debriefings will be held with proposers to assist them in understanding how the proposals were viewed by the evaluation panel. These efforts will be encouraged as Requests for Proposals for future food and beverage locations will be issued for the remainder of 2018 and into 2019.

Recommendation

I recommend this Commission (1) award to the recommended operators the aforementioned nine Terminal 1 Food and Beverage 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