

File No. 100312

Committee Item No. 5

Board Item No. 4

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Sub-Committee BUDGET AND FINANCE

Date: April 14, 2010

Board of Supervisors Meeting

Date 4/20/10

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget Analyst Report                        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form (for hearings)             |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement*                          |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
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#### OTHER

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Completed by: Andrea S. Ausberry

Date Friday, April 09, 2010

Completed by: A. Ausberry

Date April 14, 2010

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

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1 [Airport Concession – Terminal 2 Gourmet Market and Wine Bar Lease with D-Lew  
2 Enterprise, LLC]

3 **Resolution approving a Terminal 2 Gourmet Market and Wine Bar Lease between**  
4 **D-Lew Enterprises, LLC and the City and County of San Francisco, acting by and**  
5 **through its Airport Commission.**

6  
7 WHEREAS, The Airport Commission has requested for proposals for the Terminal 2  
8 Gourmet Market and Wine Bar Lease; and

9 WHEREAS, D-Lew Enterprises, LLC was the highest ranking, responsive and  
10 responsible proposer; and,

11 WHEREAS, The Airport Commission approved Resolution No. 10-0029, adopted  
12 February 18, 2010, awarding the Terminal 2 Gourmet Market and Wine Bar Lease to D-Lew  
13 Enterprises, LLC; now, therefore, be it

14 **RESOLVED**, That the Board of Supervisors hereby approves award of the Terminal 2  
15 Gourmet Market and Wine Bar Lease No. 10-0029 to D-Lew Enterprises, LLC, copies of  
16 which are contained in Board of Supervisors' File No. 100312.

Items 5, 6, 7, 8, 9, 10, 11, and 12  
Files 10-0312, 10-0313, 10-0314, 10-0316, 10-0317, 10-0318,  
10-0319, and 10-0320

Department(s):  
San Francisco Airport (Airport)

## EXECUTIVE SUMMARY

### Legislative Objective

File No. 10-0312: The proposed resolution would approve a Terminal 2 Gourmet Market and Wine Bar Lease between the City and County of San Francisco, acting on behalf of the San Francisco Airport (Airport) and D-Lew Enterprise, LLC for 4,995 square feet of space.

File No. 10-0313: The proposed resolution would approve a Terminal 2 Quick Serve (facilities that prepare food as ordered without alcoholic drinks except beer and wine) Lease between the Airport and BJ Annex, LLC for 1,072 square feet of space.

File No. 10-0314: The proposed resolution would approve a Terminal 2 Cocktail Lounge Lease between the Airport and HBF Soto JV, LLC for 1,975 square feet of space.

File No. 10-0316: The proposed resolution would approve a Terminal 2 Quick Serve Lease between the Airport and Sankaku, Inc for 911 square feet of space.

File No. 10-0317: The proposed resolution would approve a Terminal 2 Sit-Down Restaurant Lease between the Airport and D-Lew Enterprise, LLC for 3,958 square feet of space.

File No. 10-0318: The proposed resolution would approve a Terminal 2 Bakery and Coffee Facilities Lease between the Airport and Gotham Enterprises, LLC for 1,227 square feet of space.

File No. 10-0319: The proposed resolution would approve a Terminal 2 Quick Serve Lease between the Airport and Andale Management Group, Inc for 1,066 square feet of space.

File No. 10-0320: The proposed resolution would approve a Terminal 2 Quick Serve Lease between the Airport and HBF Soto JV for 906 square feet of space.

### Key Point

The Airport has recommended the award of eight leases for food and beverage services in its new domestic terminal, Terminal 2, scheduled to open on January 1, 2011. These eight leases are for (1) a sit-down restaurant (File No. 10-0317), (2) a cocktail lounge (File No. 10-0314), (3) a coffee and bakery (File No. 10-0318), (3) a gourmet market and wine bar (File No. 10-0312), and (4) four quick serve facilities (File Nos. 10-0320, 10-0313, 10-0319, and 10-0316). The firms to operate these food and beverage services were selected after a competitive Request for Proposal process. The percentage gross revenues sales rent for all eight leases is consistent with the guidelines stated in the Airport's 2004 Domestic Terminal Food and Beverage Program, which sets the amount of the Minimum Annual Guarantee (MAG) rent and annual percentage sales rent.

### Fiscal Impact

Total annual rent and fees payable to the Airport from the eight leases are estimated to be \$2,950,343, which includes \$2,594,043 in annual percentage rent and \$356,300 in Food Court Cleaning, Tenant Infrastructure, and Program Promotion fees. In addition, the eight lessees are required to conduct one-time tenant improvements, at no cost to the Airport, at the minimum investment amount of \$5,638,500.

### Recommendation

Approve the proposed resolutions.

## BACKGROUND/MANDATE STATEMENT

### Background

Terminal 2 of the San Francisco Airport (Airport) was operated as the International Terminal since 1954. Due to an increase in both domestic and international passenger traffic, the Airport constructed a new International Terminal, and in the fall of 2000 closed Terminal 2 to be renovated into a new Domestic Terminal. Renovations of Terminal 2 began in September 2008 and Terminal 2 is projected to be opened to domestic passengers in January 2011. Terminal 2 will have approximately 29,211 square feet of food and beverages and retail establishments.

The proposed leases include a total of 16,110 square feet out of the total of 29,211 square feet to be leased in the new Terminal 2 for food and beverages and retail establishments. The leases for the balance of the 13,101 square feet (29,211 less 16,110) will be submitted to the Board of Supervisors in future legislation, as required.

On October 22, 2009, the Airport issued a Request for Proposal (RFP) for Terminal 2 Specialty Store Leases, which included both food and beverages spaces and retail spaces. The proposed resolutions would approve eight food and beverage leases.

After advertising on the Airport's website, the Airport news publication, press releases, and local newspapers for the food and beverage leases, the Airport received 47 proposals for leases under the following categories: (a) sit-down restaurant, (b) gourmet market and wine bar, (c) cocktail lounge, (d) coffee and bakery facilities, and (e) quick serve (facilities that prepare food as ordered without alcoholic drinks except beer and wine). On January 6, 2010, the Airport received 47 proposals, which included (a) five sit-down restaurant proposals, (b) two gourmet market and wine bar proposals, (c) nine cocktail lounge proposals, (d) nine coffee and bakery facilities proposals, and (e) 22 quick serve proposals.

The Airport Evaluation Committee<sup>1</sup> evaluated and scored the written proposals for 40 firms<sup>2</sup>. In February of 2010, the Airport awarded eight separate leases to the six firms that received the highest score in each category. These categories and firms are:

- (a) one sit-down restaurant lease to D-Lew Enterprises (File No. 10-0317),
- (b) one gourmet market and wine bar lease to D-Lew Enterprises (File No. 10-0312),
- (c) one cocktail lounge lease to HBF Soto JV (File No. 10-0314),
- (d) one coffee and bakery facilities to Gotham Enterprises (File No. 10-0318), and
- (e) four quick serve leases to HBF Soto JV (File No. 10-0320), BJ Annex (File No. 10-0313), Andale Management Group (File No. 10-0319), and Sankaku (File No. 10-0316).

<sup>1</sup> The Airport Evaluation Committee consisted of six Airport staff members approved by Airport Director.

<sup>2</sup> Of the 47 proposals, seven proposals were not scored because (a) two quick serve proposals did not meet minimum qualifications, (b) three proposals were incomplete (sit-down restaurant, coffee and bakery facilities, and quick serve proposals), (c) one cocktail lounge proposal was submitted after the deadline and (d) one firm withdrew their coffee and bakery facilities proposal.

The scores of the 40 written proposals are shown in Attachment I, as summarized by the Budget and Legislative Analyst based on data submitted by the Airport. The scores were based on the food and beverage firms' business plans and concepts.

### Mandate Statement

In accordance with Charter Section 9.118(c), any lease exceeding ten years and/or has anticipated revenue of \$1,000,000 or greater is subject to Board of Supervisors approval.

## DETAILS OF PROPOSED LEGISLATIONS

The proposed resolutions would authorize the Airport to enter into eight separate leases with six firms for use of 16,110 square feet of Terminal 2 food and beverage space, as shown in Table 1 below. Attachment II, provided by Mr. Matthew McCormick, Principal Property Manager of the Airport, shows a map of Terminal 2 and the locations of the eight food and beverage firms.

**Table 1: Square Foot of Terminal 2 Food and Beverage Leases**

	Square Feet
<b>SIT-DOWN RESTAURANT</b>	
D-Lew Enterprises, LLC as The Grill by Lark Creek	3,958
<b>GOURMET MARKET AND WINE BAR</b>	
D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	4,995
<b>COCKTAIL LOUNGE</b>	
HBF Soto JV, LLC as Reflections Lounge	1,975
<b>COFFEE AND BAKERY FACILITIES</b>	
Gotham Enterprises, LLC as Peet's Coffee & Tea	1,227
<b>QUICK SERVE</b>	
Andalé Management Group as Andalé	1,066
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	906
Sankaku as Wakaba	911
BJ Annex, LLC as Burger Joint	1,072
<b>Total</b>	<b>16,110</b>

Source: Airport

The Airport implemented the Domestic Terminal Food and Beverage Program in 2004 to ensure that the Domestic Terminal had a variety of food and beverage options provide opportunities for local vendors. The Program sets the Minimum Annual Guarantee (MAG), percentage of gross sales rates, and infrastructure fees, cleaning fees and other fees for food and beverage concessions in the Airport's Domestic Terminal. The intent of the program was to (a) offer better quality food options, (b) ensure that food prices were not inflated and consistent with the lessee's prices outside of the Airport and (c) establish consistency with rent and fees.

Lease Term Period: Six of the proposed eight leases will have a term of 12 years from January 1, 2011 through December 31, 2022, as follows:

- (a) BJ Annex (Quick Serve Lease),
- (b) HBF Soto JV (Cocktail Lounge Lease),

- (c) Sankaku, Inc. (Quick Serve Lease),
- (d) Gotham Enterprises (Coffee and Bakery Lease),
- (e) Andale Management Group, Inc (Quick Serve Lease), and
- (h) HBF Soto JV (Quick Serve Lease).

Two of the proposed eight leases will have a term of 12 years from January 1, 2011 through December 31, 2022, with one two year option to extend the lease from January 1, 2023 through December 31, 2024, as follows:

- (a) D-Lew Enterprise (Gourmet Market and Wine Bar Lease), and
- (b) D-Lew Enterprise (Sit-Down Restaurant Lease).

According to Ms. Sharon Perez, Principal Property Manager of the Airport, the Airport's Domestic Terminal Food and Beverage Program leases that have build-out costs for the tenant typically have a term of 10 years with a two-year option to extend, for a total of 12 years. According to Ms. Perez, D-Lew Enterprise's Gourmet Market and Wine Bar Lease and Sit-Down Restaurant Lease will have a two-year option to extend in addition to the 12 year lease because of (a) the higher build-out costs for both the Gourmet Market and Wine Bar Lease and Sit-Down Restaurant Lease and (b) the higher risk involved with the Gourmet Market and Wine Bar Lease. The build out costs of six of the proposed eight leases, as listed above, will not be as high as D-Lew Enterprise leases and therefore, such lessee were not awarded a two year option to extend.

Annual Rent: The proposed eight leases would pay the Airport an annual rent of either the greater of (a) a percentage of gross sales, or (b) the Minimum Annual Guarantee (MAG), consistent with the Domestic Terminal Food and Beverage Program and as shown in Table 2 below. The MAG is calculated at \$48 per square foot annually. The MAG is subject to an annual Consumer Price Index (CPI)<sup>3</sup> adjustment on the anniversary date of the proposed leases. If the CPI decreases, the rent will not decrease to a value less than the previous year's rent under the provisions in the proposed leases.

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<sup>3</sup> The CPI represents changes in prices of all goods and services for All Urban Consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

Table 2: MAG and Percentage of Gross Sales

	Square Foot	Rate	MAG	Percentage of Gross Sales
<b>SIT-DOWN RESTAURANT</b>				
D-Lew Enterprises, LLC as The Grill by Lark Creek	3,958	\$48.00	\$189,984	<ul style="list-style-type: none"> <li>• 8% of up to \$600,000</li> <li>• 10% of \$600,000.01 up to \$1,000,000</li> <li>• 12% of over \$1,000,000.01</li> </ul>
<b>GOURMET MARKET AND WINE BAR</b>				
D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	4,995	\$48.00	\$239,760	<ul style="list-style-type: none"> <li>• 6% of up to \$1,000,000</li> <li>• 8% of \$1,000,000.01 up to \$1,500,000</li> <li>• 10% of over \$1,500,000.01</li> </ul>
<b>COCKTAIL LOUNGE</b>				
HBF Soto JV, LLC as Reflections Lounge	1,975	\$48.00	\$94,800	<ul style="list-style-type: none"> <li>• 8% of up to \$600,000</li> <li>• 10% of \$600,000.01 up to \$1,000,000</li> <li>• 12% of over \$1,000,000.01</li> </ul>
<b>COFFEE AND BAKERY FACILITIES</b>				
Gotham Enterprises, LLC as Peet's Coffee & Tea	1,227	\$48.00	\$58,896	<ul style="list-style-type: none"> <li>• 6% of up to \$600,000</li> <li>• 8% of \$600,000.01 up to \$1,000,000</li> <li>• 10% of over \$1,000,000.01</li> </ul>
<b>QUICK SERVE</b>				
Andalé Management Group as Andalé	1,066	\$48.00	\$51,168	<ul style="list-style-type: none"> <li>• 6% of up to \$600,000</li> <li>• 8% of \$600,000.01 up to \$1,000,000</li> <li>• 10% of over \$1,000,000.01</li> </ul>
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	906	\$48.00	\$43,488	
Sankaku as Wakaba	911	\$48.00	\$43,728	
BJ Annex, LLC as Burger Joint	1,072	\$48.00	\$51,456	
<b>Total</b>			<b>\$773,280</b>	

Source: Airport

Ms. Perez states that both the MAG and the percentage of gross sales rates were listed in the Request for Proposal (RFP), based on the Airport's Domestic Food and Beverage Program. Since the Airport's Domestic Food and Beverage Program began in 2004, MAG has increased by \$8, or 20 percent, from \$40 per square foot to \$48 per square foot, which was due to CPI adjustments. The percentages of gross sales rates have remained unchanged since implementation of the Domestic Food and Beverage Program in 2004 because according to Ms. Cheryl Nashir, Associate Deputy Airport Director, the Airport reviews the tenants' financial statements annually and has determined that the existing rates are the appropriate rent structure. As noted above, the evaluations of the proposals were based on food and beverage firm's business plans and concepts.

Food Court Cleaning Fee: In addition to the annual rent, the following six leases will pay a cleaning fee to utilize seven food court areas totaling 10,545-square feet, as shown in Table 3 below. Two of the lessees, D-Lew Enterprise (Sit Down Restaurant Lease) and HBF Soto JV



(Cocktail Lounge Lease), are not required to pay a Food Court Cleaning Fee because their food and beverage space contains a seating area. As shown in Table 3 below, the six leases will pay a total of \$235,366 to the Airport for the maintenance of the food court areas for the initial year of the lease. The fees are subject to annual adjustments, which would be based previous calendar year's gross sales and projected food court maintenance costs.

**Table 3: First Lease Year Food Court Cleaning Fees**

	Fee
<b>GOURMET MARKET AND WINE BAR</b>	
D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	\$29,755
<b>COFFEE AND BAKERY FACILITIES</b>	
Gotham Enterprises, LLC as Peet's Coffee & Tea	\$57,875
<b>QUICK SERVE</b>	
Andalé Management Group as Andalé	\$36,934
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	36,934
Sankaku as Wakaba	36,934
BJ Annex, LLC as Burger Joint	36,934
<b>Total</b>	<b>\$235,366</b>

Source: Airport

Tenant Infrastructure Fee: The Tenant Infrastructure Fee allows the Airport to recover a portion of the costs for the construction of the proposed food and beverage spaces in Terminal 2<sup>4</sup>. Seven of the proposed eight leases will pay annual Tenant Infrastructure Fees, totaling \$104,824, as shown in Table 4 below. The Tenant Infrastructure Fee rate will remain the same throughout the term of the lease.

**Table 4: Tenant Infrastructure/Food Court Annual Fee**

	Square Foot	Rate	Fee
<b>SIT-DOWN RESTAURANT</b>			
D-Lew Enterprises, LLC as The Grill by Lark Creek	3,958	\$1.18	\$4,670
<b>COCKTAIL LOUNGE</b>			
HBF Soto JV, LLC as Reflections Lounge	1,975	\$2.80	\$5,530
<b>COFFEE AND BAKERY FACILITIES</b>			
Gotham Enterprises, LLC as Peet's Coffee & Tea	1,227	\$18.26	\$22,405
<b>QUICK SERVE</b>			
Andalé Management Group as Andalé	1,066	\$18.26	\$19,465
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	906	\$18.26	16,544
Sankaku as Wakaba	911	\$18.26	16,635
BJ Annex, LLC as Burger Joint	1,072	\$18.26	19,575
	<b>Total</b>		<b>\$104,824</b>

Source: Airport

According to Ms. Perez, one lessee D-Lew Enterprise is not required to pay the Tenant Infrastructure Fee for the Gourmet Market and Wine Bar Lease because the infrastructure cost

<sup>4</sup> Tenant Infrastructure includes base building work, food court build-out, demolition of existing facilities, and development of Lease space shell and core.

for the space was nominal (less than three cents per square foot). The four Quick Serve firms (Andale Management Group, Inc, HBF Soto JV, Sankaku, Inc, and BJ Annex) and one Coffee and Bakery firm (Gotham Enterprises) are required to pay a rate of \$18.26 per square foot because such firms are paying for the infrastructure costs of food and beverage space as well as food court space.

**Promotional Program Fee:** The Promotional Program Fee allows the Airport to recover a portion of the costs for the advertisements and promotions of the food and beverage firms in Terminal 2. The eight leases are required to pay a rate of \$1.00 per square foot for the Promotional Program, for an annual total amount of \$16,110, as shown in Table 5 below. The Promotional Program Fee is subject to an annual CPI adjustment on the anniversary date of the proposed leases. If the CPI decreases, the fee will not decrease to a value less than the previous year's fee under the provisions in the proposed leases.

**Table 5: Promotional Program Fee**

	Square Foot	Rate	Fee
<b>SIT-DOWN RESTAURANT</b>			
D-Lew Enterprises, LLC as The Grill by Lark Creek	3,958	\$1.00	\$3,958
<b>GOURMET MARKET AND WINE BAR</b>			
D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	4,995	\$1.00	\$4,995
<b>COCKTAIL LOUNGE</b>			
HBF Soto JV, LLC as Reflections Lounge	1,975	\$1.00	\$1,975
<b>COFFEE AND BAKERY FACILITIES</b>			
Gotham Enterprises, LLC as Peet's Coffee & Tea	1,227	\$1.00	\$1,227
<b>QUICK SERVE</b>			
Andalé Management Group as Andalé	1,066	\$1.00	\$1,066
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	906	\$1.00	906
Sankaku as Wakaba	911	\$1.00	911
BJ Annex, LLC as Burger Joint	1,072	\$1.00	1,072
		<b>Total</b>	<b>\$16,110</b>

Source: Airport

**Minimum Investment Amount:** The eight leases require that the tenants refurbish, redecorate, and modernize the interiors and exteriors of their specific food and beverage space, at no cost to the Airport, at the minimum investment amount to conduct one-time tenant improvements, as shown in Table 6 below.

**Table 6: Minimum Investment One-time Tenant Improvements Amount**

	Square Foot	Rate	Fee
<b>SIT-DOWN RESTAURANT</b>			
D-Lew Enterprises, LLC as The Grill by Lark Creek	3,958	\$350.00	\$1,385,300
<b>GOURMET MARKET AND WINE BAR</b>			
D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	4,995	\$350.00	\$1,748,250
<b>COCKTAIL LOUNGE</b>			
HBF Soto JV, LLC as Reflections Lounge	1,975	\$350.00	\$691,250
<b>COFFEE AND BAKERY FACILITIES</b>			
Gotham Enterprises, LLC as Peet's Coffee & Tea	1,227	\$350.00	\$429,450
<b>QUICK SERVE</b>			
Andalé Management Group as Andalé	1,066	\$350.00	\$373,100
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	906	\$350.00	\$317,100
Sankaku as Wakaba	911	\$350.00	\$318,850
BJ Annex, LLC as Burger Joint	1,072	\$350.00	\$375,200
		<b>Total</b>	<b>\$5,638,500</b>

Source: Airport

**FISCAL ANALYSIS**

**Projected Revenue of the Annual Terminal 2 Food and Beverage Leases Rent and Fees for the First Year of the Lease**

Total annual rent and fees to the Airport from the eight leases are estimated to be \$2,950,343 in the first year, which includes \$2,594,043 in annual percentage rent (see Table 7 below) and \$356,300 in Food Court Cleaning, Tenant Infrastructure, and Program Promotion fees (see Table 8 below).

According to Ms. Perez, the Airport estimates that the annual percentage rent revenues will always exceed the Minimum Annual Guarantee (MAG) revenues. However, should the MAG exceed the annual percentage rents in, for example, the first year, the Airport would be paid \$773,280 (see Table 2 above), or \$1,820,763 less (\$2,594,043 less \$773,280) than the estimated percentage rent of \$2,594,043.

In addition, the eight leases will pay for a total of \$5,638,500 in one-time tenant improvements as noted in Table 6 above at no cost to the Airport.

Table 7: Projected First Year Annual Rent of Terminal 2 Food and Beverage Leases

	MAG	Projected Sales	Projected Percentage Sales Rent				Total Annual Rent Payments to the Airport
			8% of up to \$600,000	10% of \$600,000.01 to \$1,000,000.01	12% of \$1,000,000.01 and above	Total	
<b>SIT-DOWN RESTAURANT</b>							
D-Lew Enterprises, LLC as The Grill by Lark Creek	\$189,984	\$4,000,000	\$48,000	\$40,000	\$497,448	\$585,448	\$585,448
<b>GOURMET MARKET AND WINE BAR</b>							
D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	\$239,760	\$6,943,950	\$60,000	\$40,000	\$544,395	\$644,395	\$644,395
<b>COCKTAIL LOUNGE</b>							
HBF Soto JV, LLC as Reflections Lounge	\$94,800	\$2,470,000	\$48,000	\$40,000	\$176,400	\$264,400	\$264,400
<b>COFFEE AND BAKERY FACILITIES</b>							
Gotham Enterprises, LLC as Peet's Coffee & Tea	\$58,896	\$4,000,000	\$36,000	\$32,000	\$300,000	\$368,000	\$368,000
<b>QUICK SERVE</b>							
Andalé Management Group as Andalé	\$51,168	\$2,250,000	\$36,000	\$32,000	\$125,000	\$193,000	\$193,000
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	43,488	2,200,000	36,000	32,000	120,000	188,000	188,000
Sankaku as Wakaba	43,728	2,500,000	36,000	32,000	150,000	218,000	218,000
BJ Annex, LLC as Burger Joint	51,456	1,648,000	36,000	32,000	64,800	132,800	132,800
						<b>Total</b>	<b>\$2,594,043</b>

Source: Airport

Table 8: Projected First Year Fees of Terminal 2 Food and Beverage Leases

	Food Court Cleaning Fee	Tenant Infrastructure	Promotional Program Fee	Total
<b>SIT-DOWN RESTAURANT</b>				
D-Lew Enterprises, LLC as The Grill by Lark Creek	--	\$4,670	\$3,958	\$8,628
<b>GOURMET MARKET AND WINE BAR</b>				
D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	\$29,755	--	\$4,995	\$34,750
<b>COCKTAIL LOUNGE</b>				
HBF Soto JV, LLC as Reflections Lounge	--	\$5,530	\$1,975	\$7,505
<b>COFFEE AND BAKERY FACILITIES</b>				
Gotham Enterprises, LLC as Peet's Coffee & Tea	\$57,875	\$22,405	\$1,227	\$81,507
<b>QUICK SERVE</b>				
Andalé Management Group as Andalé	\$36,934	\$19,465	\$1,066	\$57,465
HBF Soto JV, LLC as The Plant Café Organic & Pinkberry	36,934	16,544	906	\$54,384
Sankaku as Wakaba	36,934	16,635	911	\$54,480
BJ Annex, LLC as Burger Joint	36,934	19,575	1,072	\$57,581
<b>Total</b>	<b>\$235,366</b>	<b>\$104,824</b>	<b>\$16,110</b>	<b>\$356,300</b>

Source: Airport

**RECOMMENDATION**

Approve the proposed resolutions.

## Proposals for Terminal 2 Food and Beverage Leases

Bidders	Written Proposal Score
Total Possible Score	100
<b>SIT-DOWN RESTAURANT</b>	
1. D-Lew Enterprises, LLC as The Grill by Lark Creek	83.03
2. OGG Management West, LLC as Presidio Grill	76.67
3. Host International, Inc. as Burger Bar	64.90
4. SFBVC II, LLC as Turntable Café	59.63
<b>GOURMET MARKET AND WINE BAR</b>	
1. D-Lew Enterprises, LLC as Napa Farms Gourmet Market and Vino Volo	97.00
2. OTG Management West, LLC as Cibo and wibar™	80.60
<b>COCKTAIL LOUNGE</b>	
1. HBF Soto JV, LLC as Reflections Lounge	78.17
2. Host International, Inc. as the International Lounge	72.70
3. Andalé Management Group, Inc. as Andalé Lounge	61.17
4. La Cucina Volante, LLC as Straits	60.73
5. SFBVC, LLC as Bar 9.5 mph	53.00
6. CJSS Enterprises, Inc. as Gravity Lounge	52.90
7. Lady Luck Gourmet, LLC as Go Bistro Natural	52.47
8. Firkin Pubs International Worldwide, Inc. as Firkin & Fox	46.20
<b>COFFEE AND BAKERY FACILITIES</b>	
1. Gotham Enterprises, LLC as Peet's Coffee & Tea	85.07
2. Robert Azinian as the Coffee Bean & Tea Leaf Company	71.58
3. Guava & Java SFO, Inc. as Guava & Java and French Meadow Bakery	65.30
4. Guava & Java SFO, Inc. as Guava & Java and Espressamente Illy	64.17
5. Good Scents Ventures, Inc. as Créma Artisan Bakery & Coffee Bar	61.82
6. HBF Soto JV, LLC as Green Beans Coffee	61.26
7. Emporio Rulli as Dolce/Salato	60.93
<b>QUICK SERVE*</b>	
1. HBF Soto JV, LLC as The Plant Café Organic & Pinkberry*	83.73
2. BJ Annex, LLC as Burger Joint	78.03
3. Andalé Management Group as Andalé	74.03
4. Sankaku as Wakaba	73.83
5. HBF Soto JV, LLC as Barney's Gourmet Hamburgers*	69.41
6. Jeremy Uplan as Ozumo Concepts International, Inc.	64.50
7. D-Lew Enterprises, Inc. as Mixt Greens	62.70
8. Max's Eat'z at the Airport, Inc. as Max's Eat'z	61.83
9. Andre-Boudin Bakeries, Inc. as Boudin SF Sourdough	60.37
10. San Francisco Soup Company	60.33
11. HBF Soto JV, LLC as Limon Nuevo Peruvian Street Food*	60.13
12. HBF Soto JV, LLC as Poleng Lounge*	59.30
13. Quick-Port Enterprises, Inc. as Jamba Juice	56.83
14. Fung Lum Express Corporation as Fung Lum	56.13
15. Emporio Rulli as Dolce/Salato	55.43
16. J. Avery Enterprises, Inc. as Klein's Deli	53.70
17. Bassam & Nancy Shihadeh as Amoura Café	53.47
18. Kashi SFO, Inc. as Kashi Bistro	53.13
19. Double P Corporation as Auntie Anne's Pretzel and Red Mango	51.37
20. Hyun Ku Yoon as Charley's Subs	50.13
21. Kawthar, Inc. as ToGo's	49.77
22. Baysubway Airport as Subway	47.23

Source: Airport

\* There are only 19 Quick Serve proposals. HBF Soto JV submitted four Quick Serve plans under one proposal.

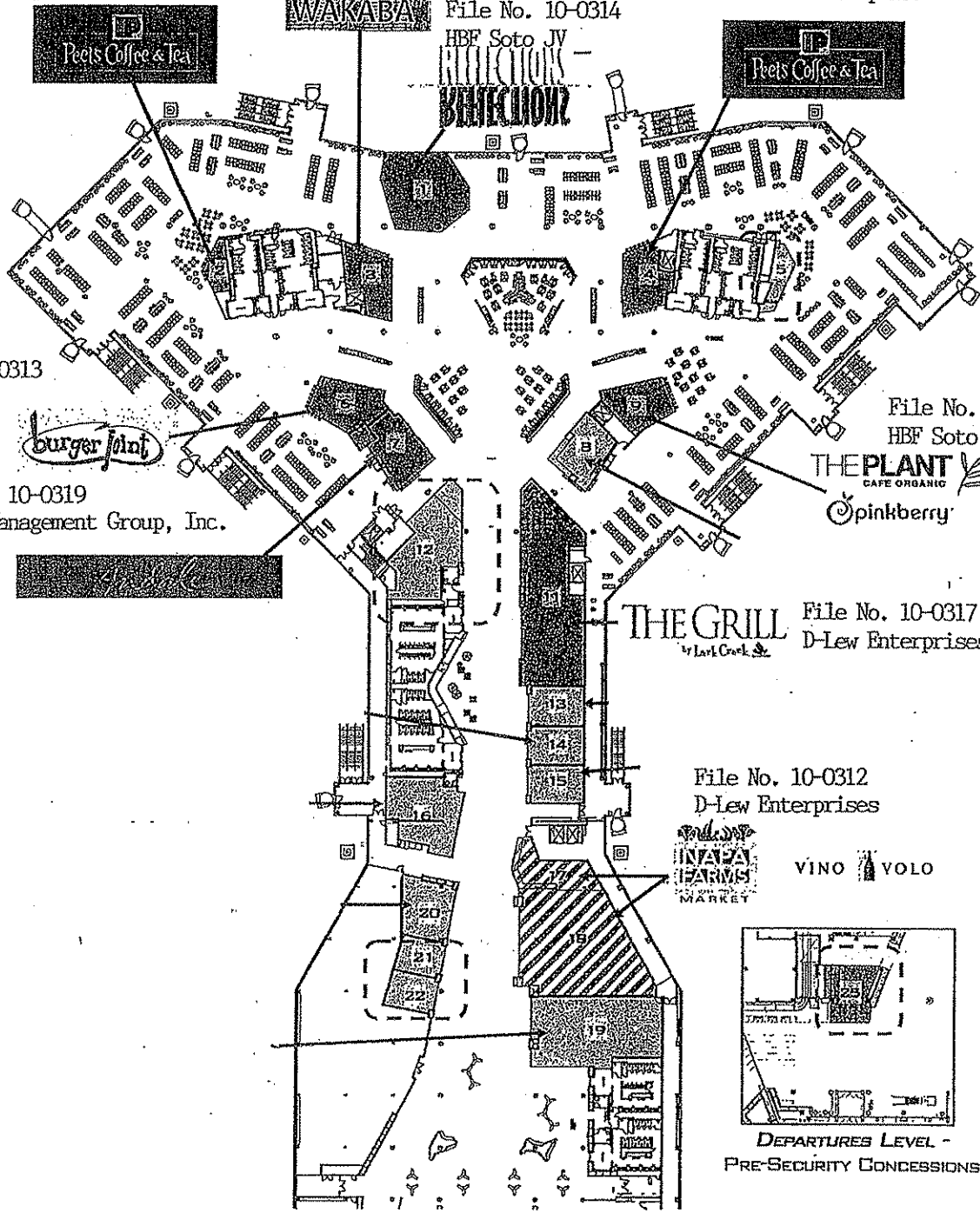
TERMINAL 2 CONCESSION PROGRAM

Attachment II

File No. 10-0318  
Gotham Enterprises

File No. 10-0316  
Sankaku

File No. 10-0318  
Gotham Enterprises



File No. 10-0314

HBF Soto JV  
REFLECTIONS  
BISTRO

File No. 10-0313  
VJ Annex

File No. 10-0320  
HBF Soto JV

File No. 10-0319  
Andale Management Group, Inc.

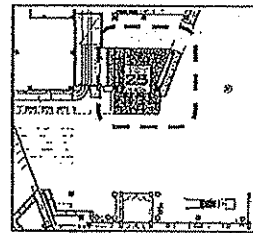
THE PLANT  
CAFE ORGANIC  
pinkberry

THE GRILL  
W. Mark Creek  
File No. 10-0317  
D-Lew Enterprises

File No. 10-0312  
D-Lew Enterprises

INAZA  
FARMERS  
MARKET

VINO VOLO



DEPARTURES LEVEL -  
PRE-SECURITY CONCESSIONS

DEPARTURES LEVEL - POST-SECURITY CONCESSIONS

Re-issued



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BY           /          

P.O. Box 8097  
San Francisco, CA 94128  
Tel 650.821.5000  
Fax 650.821.5005  
www.flysfo.com

Ms. Angela Calvillo  
Clerk of the Board  
Board of Supervisors  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689

Subject: Approval of Terminal 2 Gourmet Market and Wine Bar Lease No. 10-0029, between D-Lew Enterprises, LLC, and the City and County of San Francisco, acting by and through its Airport Commission

AIRPORT  
COMMISSION  
CITY AND COUNTY  
OF SAN FRANCISCO

Dear Ms. Calvillo:

GAVIN NEWSOM  
MAYOR  
LARRY MAZZOLA  
PRESIDENT  
LINDA S. CRAYTON  
VICE PRESIDENT  
CARYL ITO  
ELEANOR JOHNS

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval the Terminal 2 Gourmet Market and Wine Bar Lease No. 10-0029, between the City and County of San Francisco, acting by and through its Airport Commission, and D-Lew Enterprises, LLC.

By Resolution No. 10-0029, adopted February 18, 2010, the Airport Commission awarded the Terminal 2 Gourmet Market and Wine Bar Lease to D-Lew Enterprises, LLC.

RICHARD J. GUGGENHIME  
JOHN L. MARTIN  
AIRPORT DIRECTOR

The following is a list of accompanying documents (five sets):

- Board of Supervisors Resolution;
- Ethics Form SFEC-126;
- Approved Airport Commission Resolution No. 10-0029;
- A copy of Terminal 2 Gourmet Market and Wine Bar Lease No. 10-0029.

You may contact Cheryl Nashir of Airport Revenue Development and Management at (650) 821-4500 regarding this matter.

Very truly yours,

Jean Caramatti  
Commission Secretary

Enclosures

cc: Cheryl Nashir

1 003/2



**FORM SFEC-126:**  
**NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> (Please print clearly.)	
Name of City elective officer(s): Mayor Gavin Newsom Members, SF Board of Supervisors	City elective office(s) held: Mayor, City and County of San Francisco; Members, SF Board of Supervisors

<b>Contractor Information</b> (Please print clearly.)	
Name of contractor: D-Lew Enterprises, LLC	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
Michael Levin, CEO Darren Lewis, President	Scott Rodrick, Vice President Carmen Mayo, Vice President
Contractor address: 411 Borel Avenue, Suite 606, San Mateo, CA 94402	
Date that contract was approved: Airport Commission awarded on 2/18/2010; pending Board of Supervisors' approval	Amount of contract: \$239,760.00 Minimum Annual Guarantee for the first lease year, subject to adjustments upwards
Describe the nature of the contract that was approved: Lease was awarded through a Request for Proposal process	
Comments: Lease Term is twelve (12) years with one two-year option exercisable at the sole and absolute discretion of the Airport Commission	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form (Mayor, Gavin Newsom)
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information</b> (Please print clearly.)	
Name of filer: Angela Calvillo, Clerk of the Board of Supervisors	Contact telephone number: (415) 554-5184
Address: 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102-4689	E-mail: Board.of.Supervisors@sfgov.org

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0029

AWARD OF THE TERMINAL 2 GOURMET MARKET AND WINE BAR LEASE TO D-LEW ENTERPRISES, LLC

WHEREAS, by Resolution No. 09-0217, adopted September 15, 2009 the Commission authorized staff to commence the competitive selection process for the Gourmet Market and Wine Bar Lease (the "Lease") through Request for Proposals ("RFPs"); and

WHEREAS, by Resolution No. 09-0258, adopted November 24, 2009, the Commission authorized staff to accept proposals for the eight (8) Terminal 2 Food & Beverage Concession Leases; and

WHEREAS, on January 6, 2010, staff received two (2) proposals for the Gourmet Market and Wine Bar Lease, from D-Lew Enterprises, LLC and OTG Management West, LLC; and

WHEREAS, a six-member panel reviewed the qualifying proposals and determined D-Lew Enterprises, LLC to be the highest ranking, responsive and responsible proposer; now therefore, be it

RESOLVED, that this Commission hereby awards the Terminal 2 Gourmet Market and Wine Bar Lease to D-Lew Enterprises, LLC, under the conditions set forth in the staff memorandum on file with the Commission Secretary, including, but not limited to a term of twelve (12) years with one two (2) year option exercisable at the sole and absolute discretion of the Airport Commission, and a Minimum Annual Guarantee of \$239,760 for the first year of the Lease, and subject to its compliance with the Nondiscrimination in Employment Program and Equal Benefits Ordinance; and be it further

RESOLVED, that this Commission Secretary is hereby directed to request approval of the Lease by Resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of FEB 18 2010

  
Secretary