

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 18-0156

**AWARD OF THE TERMINAL 2 SPECIALITY RETAIL CONCESSION LEASE NO. 5
TO XPRESSPA S.F. INTERNATIONAL, LLC**

WHEREAS, by Resolution No. 17-0190, adopted on August 15, 2017, the Airport Commission (“Commission”) authorized Staff to commence the competitive selection process and issue a Request for Proposals (“RFP”) for the Terminal 2 Specialty Retail Concession Lease No. 5 (the “Lease”); and

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

WHEREAS, on April 11, 2018, Staff received two wellness center proposals from XpresSpa S.F. International, LLC and SPA BR SFO, LLC dba Be Relax; and

WHEREAS, a three-member panel reviewed the qualifying proposals and determined XpresSpa S.F. International, LLC to be the highest-ranking, responsive and responsible proposer; now, therefore, be it

RESOLVED, that this Commission hereby awards the Terminal 2 Specialty Retail Concession Lease No. 5 to XpresSpa S.F. International, LLC, under the conditions set forth in the Staff memorandum on file with the Commission Secretary, including, but not limited to, a term of seven years for one post-security location, and a Minimum Annual Guarantee of \$145,000.00 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 the 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 _____

MAY 15 2018



Secretary



San Francisco International Airport

MEMORANDUM

May 15, 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 the Terminal 2 Specialty Retail Concession Lease No. 5

DIRECTOR'S RECOMMENDATION: (1) AWARD THE TERMINAL 2 SPECIALTY RETAIL CONCESSION LEASE NO. 5 TO XPRESSPA S.F. INTERNATIONAL, LLC; AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASE FROM THE BOARD OF SUPERVISORS.

Executive Summary

The proposal evaluation process for the Terminal 2 Specialty Retail Concession Lease No. 5, Wellness Center ("Lease") has concluded and Staff recommends award of the Lease to the highest-ranking responsive and responsible proposer, XpresSpa S.F. International, LLC, for the operation of an XpresSpa wellness center.

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. The Terminal 2 Specialty Retail Concession Leases, Nos. 1 through 5, were packaged under one RFP. The other RFP 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 including modification of the concept for Lease No. 5 from Sunglasses & Cosmetics to a Wellness Center, and authorized Staff to accept proposals. As a result, Staff postponed the RFP submission deadline for Lease No. 5 from the original date of January 31, 2018, to April 11, 2018.

By Resolution Nos. 18-0071, 18-0072, 18-0073, and 18-0074 adopted March 20, 2018 the Commission awarded Specialty Retail Leases Nos. 1 through 3 and Casual Dining Food & Beverage

THIS PRINT COVERS CALENDAR ITEM NO. 10

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

Lease No. 6 to the recommended operators. The Airport did not receive any proposals in response to the RFP for Lease No. 4 and Staff is creating another RFP for the opportunity.

In response to the RFP for Lease No. 5, the Airport received two proposals by the April 11, 2018 Submittal deadline.

Staff determined both proposals met the RFP's minimum qualifications. An evaluation panel was convened to review and score the qualifying proposals. The panel members consisted of a Safety Health & Wellness director; an Aviation Management property manager; and a Planning, Design and Construction project manager. The evaluation panel's selection for highest-ranking, responsive, and responsible proposer is identified below, along with all other proposers.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest-Ranking:</u> XpresSpa S.F. International, LLC	XpresSpa	80.20
SPA BR SFO, LLC	Be Relax	77.53

The Minimum Annual Guarantee ("MAG") for the first lease year is \$145,000.00. Base rent is the greater of the MAG or percentage rent of 12% of Gross Revenues for service, plus 14% of Gross Revenues for retail merchandise. The term is seven years. XpresSpa proposes spa services, gym equipment and some associated retail merchandise.

XpresSpa currently operates across the United States, has four locations at SFO, and has been at San Francisco International Airport since 2007.

Recommendation

I recommend that the Commission (1) award the Terminal 2 Specialty Retail Concession Lease No. 5 to XpresSpa S.F. International, LLC; and (2) direct the Commission Secretary to request approval of the Lease from the Board of Supervisors.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments

Attachment 1

