

File No. 100316

Committee Item No. 8

Board Item No. \_\_\_\_\_

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Sub-Committee BUDGET AND FINANCE

Date: April 14, 2010

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report                        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
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#### OTHER

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Completed by: Andrea S. Ausberry

Date Friday, April 09, 2010

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

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



1 [Airport Concession – Terminal 2 Quick Serve Lease with Sankaku, Inc.]

2

3 **Resolution approving the Terminal 2 Quick Serve Lease between Sankaku, Inc. and the**  
4 **City and County of San Francisco, acting by and through its Airport Commission.**

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6 WHEREAS, The Airport Commission has requested for proposals for four Terminal 2  
7 Quick Serve Leases; and

8 WHEREAS, Sankaku, Inc. was one of the top four highest ranked, responsive and  
9 responsible proposer; and,

10 WHEREAS, The Airport Commission approved Resolution No. 10-0033, adopted  
11 February 18, 2010, awarding a Terminal 2 Quick-Serve Lease to Sankaku, Inc.; now,  
12 therefore, be it

13 RESOLVED, That the Board of Supervisors hereby approves award of Terminal 2  
14 Quick Serve Lease No. 10-0033 to Sankaku, Inc., copies of which are contained in Board of  
15 Supervisors' File No. 100316.

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**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

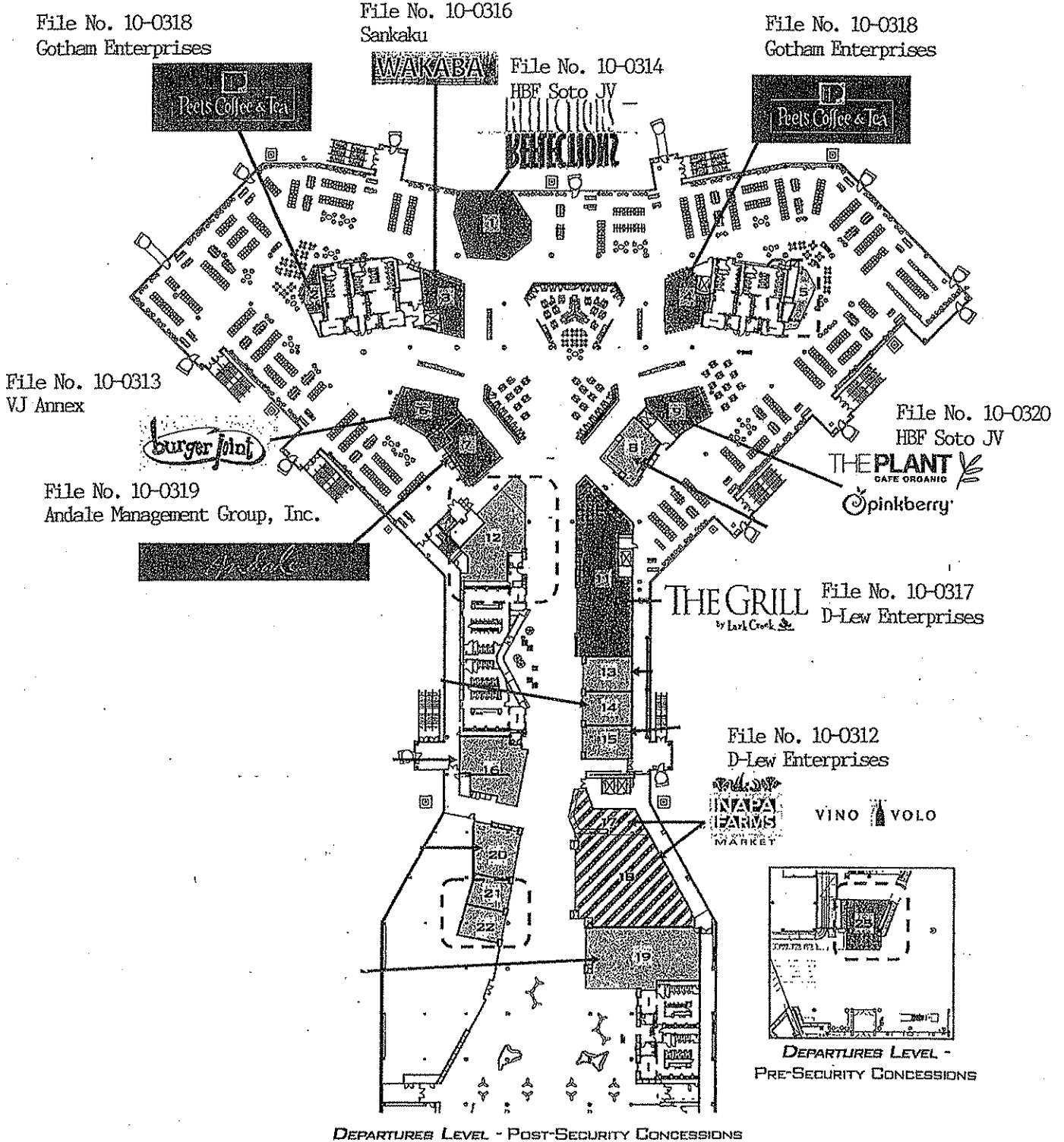
| Bidders  | Written Proposal Score |
|--|------------------------|
| Total Possible Score   | 100                    |
| <b>SIT-DOWN RESTAURANT</b>   |                        |
| 1. D-Lew Enterprises, LLC as The Grill by Lark Creek                 | 83.03                  |
| 2. OGG Management West, 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 Eatz at the Airport, Inc. as Max's Eatz                     | 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



Re-issued



RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
San Francisco International Airport

2010 MAR 10 PM 1:51

March 5, 2010

BY           le          

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 Quick Serve Lease No. 10-0033, between Sankaku, Inc. and the City and County of San Francisco, acting by and through its Airport Commission

AIRPORT  
COMMISSION  
CITY AND COUNTY  
OF SAN FRANCISCO

GAVIN NEWSOM  
MAYOR

LARRY MAZZOLA  
PRESIDENT

LINDA S. CRAYTON  
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN  
AIRPORT DIRECTOR

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval Terminal 2 Quick Serve Lease No. 10-0033, between Sankaku, Inc. and the City and County of San Francisco, acting by and through its Airport Commission. The Airport Commission approved the award of this Terminal 2 Quick Serve Lease by Resolution No. 10-0033, adopted February 18, 2010.

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

- Board of Supervisors Resolution;
- Ethics Form SF-126;
- Approved Airport Commission Resolution No. 10-0033;
- Copy of Terminal 2 Quick Serve Lease No. 10-0033.

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

100316

Enclosures

cc: Cheryl Nashir



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

|  |   |
|--|---|
| <b>City Elective Officer Information</b> <i>(Please print clearly.)</i>  |   |
| Name of City elective officer(s):<br>Mayor Gavin Newsom<br>Members, SF Board of Supervisors  | City elective office(s) held:<br>Mayor, City and County of San Francisco;<br>Members, SF Board of Supervisors           |
| <b>Contractor Information</b> <i>(Please print clearly.)</i>   |   |
| Name of contractor:<br>Sankaku, Inc.   |   |
| <i>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.</i> |   |
| Kimiko Hattori, President, 55%<br>Hiroyuki Hattori, Secretary, 45%   | Nula Makha, Vice President<br>Mieko Hattori, Treasurer  |
| Contractor address:<br>36 Willow Lane, Sausalito, CA 94965   |   |
| Date that contract was approved:<br>Airport Commission approved on 2/18/2010; pending Board of Supervisors' approval   | Amount of contract:<br>Minimum Annual Guarantee of \$43,728.00 for the first lease year, subject to adjustments upwards |
| Describe the nature of the contract that was approved:<br>Lease was awarded through a Request for Bid / Proposal process   |   |
| Comments:<br>Lease term is 12 years without any option   |   |

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> <i>(Please print clearly.)</i>                                |   |
| Name of filer:<br>Angela Calvillo, Clerk of the Board of Supervisors                   | Contact telephone number:<br>(415) 554-5184 |
| Address:<br>1 Dr. Carlton B. Goodlett Place, Room 244,<br>San Francisco, CA 94102-4689 | E-mail:<br>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. 10-0033

AWARD OF A TERMINAL 2 QUICK SERVE LEASE TO SANKAKU, INC.

- WHEREAS, by Resolution No. 09-0215, adopted September 15, 2009 the Commission authorized staff to commence the competitive selection process for the Quick Serve Lease for Space No. 3 (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 twenty two (22) proposals for the four Quick Serve Leases from Andale Management Group, Inc., Andre Boudin Bakeries, Inc., Deli Up Enterprises, LLC dba Amoura Café, Baysubway Airport, D-Lew Enterprises, Inc., Rulli, Double P Corporation, Fung Lum Express Corporation, HBF Soto JV, LLC, Hyun Ku Yoon, J. Avery Enterprises, Inc., Ozumo Concepts International, Inc., Kashi SFO, Inc., Kawthar, Inc., Sankaku, Inc., Lola M. Whittle, Master Chef Wang, LLC, Max's Eatz at the Airport, Inc., Max's Eatz at the Airport, Inc., BJ Annex, LLC, Quickport Enterprises, Inc., Mission Yogurt, Inc., and San Francisco Soup Company; and
- WHEREAS, Lola M. Whittle, Master Chef Wang, LLC, and Mission Yogurt, Inc.'s proposals did not meet the minimum qualification requirements and were, therefore, deemed non-qualified; and
- WHEREAS, a six-member panel reviewed the qualifying proposals and determined Sankaku, Inc. to be the highest ranking, responsive, and responsible proposer; now therefore, be it
- RESOLVED, that this Commission hereby awards a Terminal 2 Quick Serve Lease to Sankaku, Inc., a certified Airport Concession Disadvantaged Business Enterprise (ACDBE), 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 exercisable at the sole and absolute discretion of the Airport Commission, and a Minimum Annual Guarantee calculated at \$48.00 per square foot 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