

1 [Lease Amendment - DFS Group, L.P. - The International Terminal Duty Free and Luxury
2 Lease - Temporarily Reducing Percentage Rent and Minimum Annual Guarantee Rent for
3 2026 through 2029]

4 **Resolution approving Amendment No. 6 to the International Terminal Duty Free and**
5 **Luxury Store Lease No. 17-0303 between DFS Group, L.P. and the City and County of**
6 **San Francisco, acting by and through its Airport Commission, temporarily reducing**
7 **Percentage Rent to 28% of Gross Revenues up to \$100,000,000 and 32% for Gross**
8 **Revenues above \$100,000,000 for Lease Years 7, 8, 9, and 10 (Lease Years 2026**
9 **through 2029), and a temporary reduction in the Minimum Annual Guarantee (MAG)**
10 **for the same period by establishing the MAG at \$25,000,000 for 2026 (Lease Year 7),**
11 **with annual adjustments as provided in the Lease, effective upon approval by the**
12 **Board of Supervisors.**

13
14 WHEREAS, On December 5, 2017, by Resolution No. 17-0303, the Airport
15 Commission (Commission) awarded the International Terminal Duty Free and Luxury Lease
16 (Lease) to DFS Group, L.P. (Tenant); and

17 WHEREAS, On March 20, 2018, by Resolution No. 66-18, the Board of Supervisors
18 approved the Lease, a copy of which is on file with the Clerk of the Board in File No. 180079;
19 and

20 WHEREAS, On March 17, 2020, by Resolution No. 20-0051, the Commission
21 approved Amendment No. 1 to the Lease establishing the Base Rent as 33% of gross
22 revenues for Lease Year 1 which ended December 31, 2020; and

23 WHEREAS, On July 3, 2020, by Resolution No. 280-20, the Board of Supervisors
24 approved Amendment No. 1, a copy of which is on file with the Clerk of the Board in File
25 No. 200542; and

1 WHEREAS, On December 1, 2020, by Resolution No. 20-0222, the Commission
2 approved Amendment No. 2 to the Lease which continued the Percentage Rent structure of
3 33% of gross revenues due to the prolonged recovery from the COVID-19 pandemic; and

4 WHEREAS, On February 2, 2021, by Resolution No. 35-21, the Board of Supervisors
5 approved Amendment No. 2, a copy of which is on file with the Clerk of the Board in File
6 No. 201348; and

7 WHEREAS, On October 6, 2020, by Resolution No. 20-0180, the Commission
8 approved Amendment No. 3 to the Lease when it adopted the COVID-19 Emergency Rent
9 Relief Program which provided MAG rent relief to most Airport concession tenants for April
10 and May 2020; and

11 WHEREAS, On January 5, 2021, by Ordinance No. 5-21, the Board of Supervisors
12 approved Amendment No. 3, a copy of which is on file with the Clerk of the Board in File
13 No. 201278; and

14 WHEREAS, On October 17, 2023, by Resolution No. 23-0256, the Commission
15 approved Amendment No. 4 to the Lease, providing for the temporary reduction in Percentage
16 Rent and the MAG for Lease Year 5 (calendar year 2024), Lease Year 6 (calendar year 2025)
17 and Lease Year 7 (calendar year 2026), contingent upon Tenant's construction of a new
18 facility in Harvey Milk Terminal 1 by December 31, 2024 and a facility in Terminal 2 by
19 March 31, 2025, both of which requirements were met; and

20 WHEREAS, On April 16, 2024, by Resolution No. 180-24, the Board of Supervisors
21 approved Amendment No. 4, a copy of which is on file with the Clerk of the Board in File
22 No. 231153; and

23 WHEREAS, On May 21, 2024, by Resolution No. 24-0110, the Commission approved
24 Amendment No. 5 to the Lease which provided for a Percentage Rent of 33% for the entirety
25 of calendar year 2023, notwithstanding any reinstatement of MAG; and

1 WHEREAS, on August 1, 2024, by Resolution No. 418-24, the Board of Supervisors
2 approved Amendment No. 5, a copy of which is on file with the Clerk of the Board in File
3 No. 231153; and

4 WHEREAS, Duty free sales have still not recovered primarily due to the changing
5 demographics of the international passenger; prior to the pandemic, Chinese passengers
6 were 15% of total international passengers, yet accounted for nearly 50% of all duty-free sales
7 activity. In 2024, Chinese travelers represented less than 5% of total internal passenger
8 enplanements; and

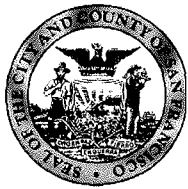
9 WHEREAS, As a result, Tenant and its joint venture partners continue to suffer
10 financial losses each year despite the most recent rent reduction programs; and

11 WHEREAS, Duty-free stores are an important part of the concessions offer and a
12 significant revenue generator for the Airport, and preserving service by improving the financial
13 viability of the duty-free lease through further rent relief is in the best interests of the Airport;
14 and

15 WHEREAS, On August 19, 2025, by Resolution No. 25-0138, the Commission
16 approved Amendment No. 6 to the Lease which temporarily reduces Percentage Rent under
17 the Lease to 28% of Gross Revenues up to \$100,000,000 and 32% for Gross Revenues
18 above \$100,000,000, for Lease Years 7, 8, 9, and 10 (Lease Years 2026 through 2029), and
19 a temporary reduction in the MAG for the same period by establishing the MAG at
20 \$25,000,000 for 2026 (Lease Year 7), with annual adjustments as provided in the Lease; at
21 the commencement of Lease Year 11 (calendar year 2030), the original Base Rent Structure
22 (including the payment of the original MAG, as adjusted from Lease Year 1 (calendar year
23 2020) will be restored; now, therefore, be it
24
25

1 RESOLVED, That the Board of Supervisors approves Amendment No. 6 to the Lease,
2 a copy of which is on file with the Clerk of the Board of Supervisors in File No. 250976; and,
3 be it

4 FURTHER RESOLVED, That within thirty (30) days of the amendment being fully
5 executed by all parties, the Airport Commission shall provide the final amendment to the Clerk
6 of the Board for inclusion into the official file.



City and County of San Francisco

Tails

Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 250976

Date Passed: November 04, 2025

Resolution approving Amendment No. 6 to the International Terminal Duty Free and Luxury Store Lease No. 17-0303 between DFS Group, L.P. and the City and County of San Francisco, acting by and through its Airport Commission, temporarily reducing Percentage Rent to 28% of Gross Revenues up to \$100,000,000 and 32% for Gross Revenues above \$100,000,000 for Lease Years 7, 8, 9, and 10 (Lease Years 2026 through 2029), and a temporary reduction in the Minimum Annual Guarantee (MAG) for the same period by establishing the MAG at \$25,000,000 for 2026 (Lease Year 7), with annual adjustments as provided in the Lease, effective upon approval by the Board of Supervisors.

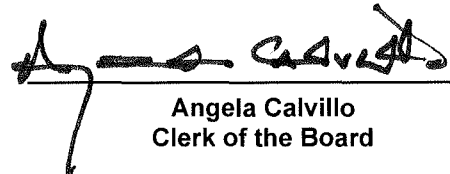
October 29, 2025 Budget and Finance Committee - RECOMMENDED

November 04, 2025 Board of Supervisors - ADOPTED

Ayes: 10 - Chan, Chen, Dorsey, Fielder, Mahmood, Mandelman, Melgar, Sauter, Sherrill and Walton

File No. 250976

I hereby certify that the foregoing
Resolution was ADOPTED on 11/4/2025 by
the Board of Supervisors of the City and
County of San Francisco.


Angela Calvillo
Clerk of the Board


Daniel Lurie
Mayor

NOV 7, 2025
Date Approved