	٠	1
	2	2
	(3
	4	1
	Ę	5
	6	
	7	
	8	
	Ć	
1	()
1	1	1
1	2)
1	3	3

15 16

17 18

19 20

21 22

23 24

25

Airport Commission

BOARD OF SUPERVISORS

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, On August 19, 2025, by Resolution No. 25-0138, the Commission approved Amendment No. 6 to the Lease which temporarily reduces Percentage Rent under the Lease 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 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; at the commencement of Lease Year 11 (calendar year 2030), the original Base Rent Structure (including the payment of the original MAG, as adjusted from Lease Year 1 (calendar year 2020) will be restored; now, therefore, be it

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

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



City and County of San Francisco Tails

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

Resolution

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 Date Approved