

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0313

**APPROVAL OF AMENDMENT NO. 3 TO THE TERMINAL 3 COFFEE AND QUICK SERVE CONCESSION LEASE NO. 18-0346 WITH ELEVATE GOURMET BRANDS, INC. AND AIMHIGH ESG, LLC, A JOINT VENTURE DBA ELEVATE GOURMET BRANDS – SFO GROUP**

WHEREAS, on October 16, 2018, by Resolution No. 18-0346, the Commission awarded the Terminal 3 Coffee and Quick Serve Concession Lease to Elevate Gourmet Brands, Inc. and Aimhigh ESG, LLC, a joint venture dba Elevate Gourmet Brands - SFO Group, for two locations in Terminal 3 Boarding Area F; and

WHEREAS, on February 12, 2019, by Resolution No. 72-19, the Board of Supervisors approved the Lease; and

WHEREAS, on March 17, 2020, construction to the SF Mac & Cheese Kitchen facility was suspended due to the COVID-19 Shelter-In-Place order and has remained suspended due to the lack of passenger traffic in this area of Terminal 3; and

WHEREAS, on October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which was memorialized in Amendment No. 1 to the Lease; and

WHEREAS, On September 5, 2023, by Resolution No. 23-0224, the Commission authorized the Airport Director to implement the COVID-19 Lease Extension Program with certain food and beverage, retail, and service concession tenants, which was memorialized in Amendment No. 2 to the Lease. Amendment No. 2 to the Lease remains subject to approval of the Board of Supervisors, and in the event it is not approved, will be void and of no effect; and

WHEREAS, the Airport would like to recapture the SF Mac & Cheese Kitchen location for use in connection with the Terminal 3 West Modernization Project; now, therefore, be it

RESOLVED, that this Commission hereby approves Amendment No. 3 to the Lease, which removes the SF Mac & Cheese Kitchen facility from the Lease, reimburses Tenant \$279,627.00 for unamortized construction costs relating to the SF Mac & Cheese Kitchen facility, and reduces the Minimum Annual Guarantee from \$375,000.00 to \$185,000.00 and the Annual Promotion Charge from \$1,991.00 to \$405.00 to reflect the reduced square footage in the Lease premises; and, be it further

RESOLVED, that this Commission hereby directs the Commission Secretary to forward Amendment No. 3 to the Lease to the Board of Supervisors for approval 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*

DEC 19 2023

  
Secretary



San Francisco International Airport

**MEMORANDUM**

December 19, 2023

TO: AIRPORT COMMISSION  
Hon. Malcolm Yeung, President  
Hon. Everett A. Hewlett, Jr., Vice President  
Hon. Jane Natoli  
Hon. Jose F. Almanza  
Hon. Mark Buell

23-0313  
DEC 19 2023

FROM: Airport Director

SUBJECT: Approval of Amendment No. 3 to Terminal 3 Coffee and Quick Serve Concession Lease No. 18-0346 with Elevate Gourmet Brands, Inc. and Aimhigh ESG, LLC, a joint venture dba Elevate Gourmet Brands - SFO Group

DIRECTOR'S RECOMMENDATION: (1) APPROVE AMENDMENT NO. 3 TO THE TERMINAL 3 COFFEE AND QUICK SERVE CONCESSION LEASE NO. 18-0346 WITH ELEVATE GOURMET BRANDS, INC. AND AIMHIGH ESG, LLC, A JOINT VENTURE DBA ELEVATE GOURMET BRANDS – SFO GROUP, REMOVING THE SF MAC & CHEESE KITCHEN FACILITY FROM THE LEASE PREMISES IN SUPPORT OF THE TERMINAL 3 WEST MODERNIZATION PROJECT, REIMBURSING TENANT \$279,627.00 FOR UNAMORTIZED CONSTRUCTION COSTS RELATING TO THE SF MAC & CHEESE KITCHEN FACILITY, REDUCING THE MINIMUM ANNUAL GUARANTEE FROM \$375,000.00 TO \$185,000.00 AND THE ANNUAL PROMOTIONAL CHARGE FROM \$1,991.00 TO \$405.00, AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL FROM THE BOARD OF SUPERVISORS PURSUANT TO SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

**Executive Summary**

Elevate Gourmet Brands, Inc. and Aimhigh ESG, LLC, a joint venture dba Elevate Gourmet Brands - SFO Group (Tenant) currently operates one of the two food and beverage locations in Terminal 3 under the Terminal 3 Coffee and Quick Serve Concession Lease No. 18-0346 (Lease). The first location to be constructed, Green Beans Coffee, opened March 12, 2020 in the Hub F food court of Terminal 3. Construction on the second location, SF Mac & Cheese Kitchen, had just started when the COVID-19 pandemic began. With the precipitous drop in enplanements and an uncertain recovery, the Airport allowed the Tenant to suspend construction at this location. The SF Mac & Cheese Kitchen location is also located in Terminal 3, on the shorter of the two Boarding Area F concourses.

THIS PRINT COVERS CALENDAR ITEM NO. 15

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR MALCOLM YEUNG PRESIDENT EVERETT A. HEWLETT, JR. VICE PRESIDENT JANE NATOLI JOSE F. ALMANZA MARK BUELL IVAR C. SATERO AIRPORT DIRECTOR

The Terminal 3 West Modernization Project (T3 West Project) was also suspended during the pandemic but has restarted and will result, among other things, in the permanent decommissioning of two gates on the shorter of the two Boarding Area F concourses. Staff is recommending against continuing with the construction of SF Mac & Cheese Kitchen because these premises are needed for use by United Airlines which will be displaced from various offices and its main Terminal 3 lounge during the T3 West Project construction. Additionally, Staff is confident the premises can be utilized by United Airlines after completion of the T3 West Project, earning a higher rent than the SF Mac & Cheese concept would have generated.

The Airport is seeking Commission approval to enter into Lease Amendment No. 3 to recapture and remove the SF Mac & Cheese Kitchen from the demised premises under the Lease, reimburse the Tenant for its unamortized construction costs relating to the SF Mac & Cheese premises, and reduce the Minimum Annual Guarantee and Promotional Charge to reflect the reduced square footage in the Lease.

### **Background**

On October 16, 2018, by Resolution No. 18-0346, the Commission awarded the Terminal 3 Coffee and Quick Serve Concession Lease to Elevate Gourmet Brands, Inc. and Aimhigh ESG, LLC, a joint venture dba Elevate Gourmet Brands - SFO Group, for two locations in Terminal 3 Boarding Area F. The base term of the Lease is eight years with two 1-year options to extend the term, exercisable at the sole discretion of the Commission. On February 12, 2019, by Resolution No. 72-19, the Board of Supervisors approved the Lease.

The Tenant opened its first location, Green Beans Coffee, in the hub of Terminal 3 on March 12, 2020, while its second location, SF Mac & Cheese Kitchen, was still under construction. On March 17, 2020, the COVID-19 Shelter-In-Place order was issued, and construction was suspended for SF Mac & Cheese Kitchen and has remained suspended due to the lack of passenger traffic in this area of Terminal 3.

On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which was memorialized in Amendment No. 1 to the Lease.

On September 5, 2023, by Resolution No. 23-0224, the Commission authorized the Airport Director to implement the COVID-19 Lease Extension Program with certain food and beverage, retail, and service concession tenants to further address the COVID-19 financial impacts by improving the financial feasibility of each lease and preserving each tenant's ability to continue operating at the Airport, which was memorialized in Amendment No. 2 to the Lease and remains subject to the approval of the Board of Supervisors. In the event that Board of Supervisors ultimately does not approve the COVID-19 Lease Extension Program, Airport staff may withdraw the program, and Amendment No. 2 will be void and of no further force or effect. Airport Staff will continue to seek approval of Lease Amendment No. 3.

### **Proposal**

The Airport would like to recapture the SF Mac & Cheese location to be used as replacement premises for displaced tenants impacted by the T3 West Project.



Staff recommends amending the Lease to remove the SF Mac & Cheese Kitchen facility from the Lease, reimburse Tenant \$279,627.00 for unamortized construction costs relating to the SF Mac & Cheese Kitchen facility, and reduce the Minimum Annual Guarantee from \$375,000.00 to \$185,000.00 and the Annual Promotion Charge from \$1,991.00 to \$405.00 to reflect the reduction in square footage of the Lease. Tenant has agreed to the terms of the lease amendment.

### **Recommendation**

I recommend the Commission adopt the accompanying Resolution (1) approving Amendment No. 3 to Terminal 3 Coffee and Quick Serve Concession Lease No. 18-0346, which removes the SF Mac & Cheese Kitchen facility from the Lease premises, reimburses Tenant \$279,627.00 for unamortized construction costs relating to the SF Mac & Cheese Kitchen facility, and reduces the Minimum Annual Guarantee from \$375,000.00 to \$185,000.00 and the Annual Promotion Charge from \$1,991.00 to \$405.00 to reflect the reduced square footage in the Lease, and (2) directing the Commission Secretary to forward Amendment No. 3 to the Board of Supervisors for approval pursuant to Section 9.118 of the Charter of the City and County of San Francisco.



Ivar C. Satero  
Airport Director

Prepared by: Kevin Bumen  
Chief Financial and Commercial Officer

Attachments

# Attachment 1

Terminal 3 Coffee and Quick Serve Concession Lease No. 18-0346

