

**MEMORANDUM**

March 4, 2025

TO: AIRPORT COMMISSION  
Hon. Malcolm Yeung, President  
Hon. Jane Natoli, Vice President  
Hon. Jose F. Almanza  
Hon. Mark Buell  
Hon. Susan Leal

25-0043

MAR 4 2025

FROM: Airport Director

SUBJECT: Approval of Amendment No. 3 to the Terminal 3 Common Use Club Lease  
No. 13-0006 with American Express Travel Related Services Company, Inc.

DIRECTOR'S RECOMMENDATION: (1) APPROVE AMENDMENT NO. 3 TO THE TERMINAL 3 COMMON USE CLUB LEASE NO. 13-0006 WITH AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC., AND (2) DIRECT THE DIRECTOR OF COMMISSION AFFAIRS TO REQUEST APPROVAL OF THE AMENDMENT FROM THE BOARD OF SUPERVISORS PURSUANT TO SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

**Executive Summary**

American Express Travel Related Services Company, Inc. (Tenant) operates its American Express Centurion Lounge (Lounge) on the post-security mezzanine level of Terminal 3 (T3 West). The Airport has a Capital Improvement Program (Terminal 3 West Modernization Program) underway which necessitates closure of the Lounge for a period of approximately two years due to the relocation of the Lounge entrance. To preserve service for the users of the Lounge, jobs for Tenant employees, and revenue to the Airport during the closure, Staff recommends approval of Amendment No. 3 to the Lease (Amendment) which will provide for the temporary operation of the Lounge in a vacant former airline lounge in Terminal 2 at no cost to the Airport. The Amendment also commits the Airport, at its sole cost, to relocating the Lounge entrance as part of the T3 West Modernization Program and preserves the day-for-day extension of the term of Tenant's lease as a result of the closure.

**Background**

On January 15, 2013, by Resolution No. 13-0006, the Commission awarded the Terminal 3 Common Use Club Lease (Lease) to Tenant, with a base operating term of 10 years. Tenant operates the location branded as a "Centurion Lounge," which is a premium line of lounges operated by Tenant at other large hub airports across the United States and in select international locations. Since opening in November 2014, the Lounge has been extremely popular with passengers averaging 1,300 to 1,500 guests per day.

On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which included the Lounge and was memorialized in Amendment No. 1 to the Lease. With the rapid decline of enplanements as a result of a global pandemic, the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants authorized the waiver of certain rent and fees to encourage business recovery, employee rehiring, and continued operation of concessions at SFO.

THIS PRINT COVERS CALENDAR ITEM NO. 10

On November 10, 2020, by Resolution No. 20-0207, the Commission authorized Amendment No. 2 to the Lease, which added 7,088 square feet to the original premises of 8,199 square feet for a new total of 15,287 square feet. A Minimum Annual Guarantee was established for the expanded premises, the Promotional Fee was increased on a pro rata basis, and the term was extended by seven years to allow for construction cost amortization. Amendment No. 2 also stipulated that should the planned renovation of Terminal 3 West necessitate the temporary closure of the Lounge, the Lease term would be extended on a day-for-day basis. Amendment No. 2 did not contemplate temporary operations during any closure.

The Lounge is in T3 West (as depicted on Attachment 1 to this Memorandum), the site of the T3 West Modernization Program, which includes terminal renovation above, below and adjacent to the Lounge. The T3 West Modernization Program also includes the permanent relocation of the Lounge entrance from the departures level to the mezzanine level.

Staff has identified a vacant former airline lounge which Tenant could use for an approximate two-year period post-security in Terminal 2. The location was formerly an Alaska Airlines Club and before that an American Airlines Admirals Club. Relocating Tenant to this location while its Terminal 3 West premises are inaccessible due to the T3 West Modernization Program will provide a desirable service for our guests and preserve jobs and revenue to the Airport.

### **Proposal**

Staff recommends entering into the Amendment in accordance with the following terms and conditions:

1. **Premises.** The Lounge operations will temporarily move to Terminal 2 to a 9,035 square foot space as depicted on Attachment A (Terminal 2 Premises). Tenant will be solely responsible for all costs associated with renovating and commencing operations in Terminal 2 Premises.
2. **Rent and Annual Rent Adjustments**
  - a. Existing Premises – Upon the temporary vacation of the Existing Premises, estimated to be around June 30, 2025, rent for the Existing Premises will be suspended.
  - b. Terminal 2 Premises – Rent shall be \$224.22 per square foot per annum for the Terminal 2 Premises, prorated on a monthly basis, commencing when Tenant opens the Terminal 2 Premises. This rent shall be in effect through December 31, 2026. Rent will adjust thereafter based upon Article 4.3 of the Lease.
3. **Promotional Charge.** The annual Promotional Charge will decrease from \$15,287 to \$9,035 to reflect the decrease in square footage while Tenant operates in the Terminal 2 Premises.
4. **Construction of new Lounge Entrance.** The Terminal 3 West Modernization Program includes the permanent closure of the Centurion Lounge entrance on the departure level and the creation of a new entrance on the mezzanine level of Terminal 3. The Airport, at its sole cost, will construct the new entrance. Tenant brand standards will be adhered to during the design of the new entrance.

5. Confirmation of Extension of Term. The second amendment to the Lease provided that Tenant would receive a day-for-day extension of its term for any period of time that Tenant was required to close due to the Terminal 3 West Modernization Program, but it did not address operations in a temporary location. The Amendment No. 3 will reaffirm that the day-for-day lease extension will apply notwithstanding such temporary operations.
6. Further Modification of Lease. Given the inherent uncertainty around the schedule and logistics of temporarily relocating a large tenant such as Tenant during a large scale capital project such as the Terminal 3 West Modernization Program, the Airport Director shall have the right to enter into further non-material modifications of the Lease in order to implement the purposes of this temporary relocation and relocation of the Lounge back to the Existing Premises without the further consent of the Commission or Board of Supervisors, provided that the terms of any such modification do not otherwise (a) materially increase the financial obligations or liabilities of City, (b) increase the term of the Lease, or (c) change the permitted use under the Lease.

### **Recommendation**

I recommend adoption of the attached Resolution approving Amendment No. 3 to the Terminal 3 Common Use Club Lease No. 13-0006 with American Express Travel Related Services Company, Inc. consistent with the terms described above. I also recommend forwarding 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.

Sincerely,



Mike Nakornkhet  
Airport Director

Prepared by: Kevin Bumen  
Chief Financial and Commercial Officer

Attachments



Attachment

Terminal 3 Common Use Club Lease No. 13-0006

