

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 25-0130

AUTHORIZATION OF AIRPORT DIRECTOR TO IMPLEMENT THE FOOD & BEVERAGE MINIMUM ANNUAL GUARANTEE AND PRE-SECURITY PERCENTAGE RENT REDUCTION PROGRAM

WHEREAS, there are 69 Food & Beverage Leases (F&B Leases) at the Airport, and Base Rent on an annual basis is the greater of a tiered percentage of gross revenues (Percentage Rent) or a Minimum Annual Guarantee (MAG), with the exception of the Sky Terrace Employee Café which has a tiered Percentage Rent only; and

WHEREAS, 18 of 69 F&B Leases feature MAGs that are substantially higher than what is considered market rent; and

WHEREAS, the F&B Leases covering pre-security locations feature MAGs and Percentage Rent which are higher than what is considered market rent; and

WHEREAS, the MAG is adjusted annually based on a Consumer Price Index (CPI) resulting in a continual increase in rent which is outpacing spending growth; and

WHEREAS, it is the best interest for the Airport to preserve these business deals, maintain high quality food and beverage offerings for the traveling public, and support local employment by taking measures to ensure the lease are financially viable; and

WHEREAS, Staff recommends enacting the Food & Beverage Minimum Annual Guarantee and Pre-Security Percentage Rent Reduction Program to normalize the MAG and Percentage Rent payments due under these F&B Leases (Program); and

WHEREAS, the Program consists of: (1) establishing MAG for qualifying post-security F&B Lease locations for calendar year 2026 as the lesser of existing MAG or 12% of gross revenues for calendar year 2024, (2) establishing MAG for qualifying pre-security F&B Lease locations for calendar year 2026 as the lesser of existing MAG or 6% of gross revenues for calendar year 2024, (3) establishing Percentage Rent for qualifying pre-security F&B Lease locations at 6% effective January 1, 2026, and (4) beginning in 2026, change the method for adjusting MAG for all F&B Leases from using a specified CPI to the more common practice in the industry of MAG being adjusted each new Lease Year to be the greater of existing MAG or 85% of the prior year's Base Rent; and

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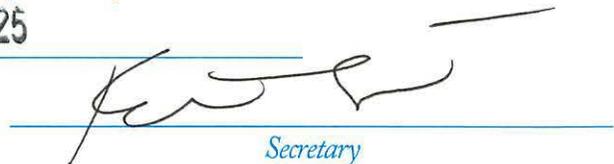
WHEREAS, in order to qualify for a MAG reduction under the Program, 2024 MAG for a post-security F&B Lease location must be in excess of 12% of gross revenues, or 2024 MAG for a pre-security F&B Lease location must be in excess of 6% of gross revenues, with all pre-security F&B Lease locations being eligible for the Percentage Rent reduction with the exception of the Sky Terrace Employee Café (Program Criteria); now, therefore, be it

RESOLVED, that this Commission authorizes the Airport Director to implement the Food & Beverage Minimum Annual Guarantee Reduction and Pre-Security Percentage Rent Reduction Program by entering into appropriate amendments to F&B Leases which satisfy the Program Criteria, as outlined in this Resolution and on the other terms and conditions set forth in the accompanying memorandum from the Airport Director; and, be it further

RESOLVED, the Director of Commission Affairs is directed to request approval from the San Francisco Board of Supervisors under Section 9.118 of the Charter of the City and County of San Francisco for those amendments requiring such approval.

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I hereby certify that the foregoing resolution was adopted by the Airport Commission
= **AUG 19 2025**
at its meeting of _____



Secretary