

1 [Lease Amendment - MRG San Francisco Terminal 2, LLC. - Terminal 2 Retail Market and
2 Harvey Milk Terminal 1 Specialty Retail Stores Concession Lease - Location Additions]

3 **Resolution approving Amendment No. 1 to the Terminal 2 Retail Market and Harvey
4 Milk Terminal 1 Specialty Retail Stores Concession Lease No. 20-0156 between MRG
5 San Francisco Terminal 2, LLC, as tenant, and the City and County of San Francisco,
6 acting by and through its Airport Commission, as landlord, for the addition of three
7 locations to the premises of the Terminal 2 retail market, for a term of 12 years to
8 commence on October 1, 2025, through October 1, 2037, with no adjustment to the
9 Minimum Annual Guarantee of \$2,300,000.**

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11 WHEREAS, On September 15, 2020, by Resolution No. 20-0156, the Airport
12 Commission (Commission) awarded the Terminal 2 Retail Market and Harvey Milk Terminal 1
13 Specialty Retail Stores Concession Lease (Lease) to MRG San Francisco Terminal 2, LLC
14 (Tenant), which operates Fireworks Gallery and MAC Cosmetics in Harvey Milk Terminal 1
15 and will operate a retail market in Terminal 2 (Terminal 2 Premises) for a term of 12 years;
16 and

17 WHEREAS, Three small retail spaces, consisting of a news wall and two specialty
18 retail stores, are coming available in Terminal 2 resulting from the expiration of a lease with
19 World Duty Free Group, Inc.; and

20 WHEREAS, Staff has determined it is in the best interest of the Airport for the news
21 wall location to be added to the Terminal 2 Premises on a permanent basis and for the two
22 specialty retail store locations to be added to the Terminal 2 Premises on a temporary basis
23 for a period of approximately two years before the latter two spaces are combined with a
24 former lounge space for the future leasing of the contiguous spaces for a future common use
25 lounge; and

1 WHEREAS, This arrangement will provide for desirable shopping opportunities for
2 passengers and maintain revenue for the Airport during a period that such spaces would
3 otherwise sit vacant, and Tenant has agreed to this arrangement; and

4 WHEREAS, On April 1, 2025, by Resolution No. 25-0050, the Commission approved
5 Amendment No. 1 to the Lease which provides for (1) the addition of a 409 square foot news
6 wall to the Terminal 2 Premises on a permanent basis, (2) the addition of a 563 square foot
7 specialty retail store and a 609 square foot specialty retail store to the Terminal 2 Premises for
8 a period estimated at two years, as the same may be adjusted by the Airport Director to
9 account for the future leasing and construction of the intended common use lounge, (3) an
10 increase in the annual promotional charge due under the Lease from \$6,915 to \$8,496
11 commencing upon Tenant's operation of the news wall and the two specialty retail stores, and
12 (4) a subsequent decrease in the promotional charge from \$8,497 to \$7,324 when Tenant
13 vacates the two specialty retail stores; now, therefore, be it

14 RESOLVED, That the Board of Supervisors approves Amendment No. 1 to the Lease,
15 a copy of which is on file with the Clerk of the Board of Supervisors in File No. 250874; and,
16 be it

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

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