

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 23-0205

APPROVAL OF THE TERMINATION OF LEASE AGREEMENT FOR TERMINAL 3 BOARDING AREA E AND INTERNATIONAL TERMINAL BOARDING AREA G WELLNESS CONCESSION LEASE NO. 18-0234 WITH SPA BR SFO, LLC DBA BE RELAX

WHEREAS, on August 7, 2018, by Resolution No. 18-0234, the Airport Commission (Commission) awarded the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease (Lease) to Spa BR SFO, LLC dba Be Relax (Tenant); and

WHEREAS, on February 5, 2019, by Resolution No. 64-19, the San Francisco Board of Supervisors approved the Lease; and

WHEREAS, Tenant has expressed a desire to terminate the Lease and the Airport is agreeable to such early termination, provided that Tenant surrender its lease deposit to the Airport in the amount of \$125,000.00 and comply with such other terms and conditions as set forth in the Termination of Lease Agreement; and

WHEREAS, Staff believes this amount will compensate the Airport for the loss of revenue it will sustain as a result of such termination, and that allowing such termination is in the best interest of the Airport given the lack of market for spa services at airports in the post COVID-19 environment. Staff is confident that a new tenant with a more profitable concept can be identified through a future competitive process; now, therefore, be it

RESOLVED, that this Commission hereby approves the Termination of Lease Agreement for the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease No. 18-0234 with Spa BR SFO, LLC dba Be Relax, and directs the Commission Secretary to forward the Lease Termination Agreement to the Board of Supervisors for approval pursuant to Section 9.118 of the City Charter.

I hereby certify that the foregoing resolution was adopted by the Airport Commission
AUG 15 2023
at its meeting of _____

Secretary



San Francisco International Airport

MEMORANDUM

August 15, 2023

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

23-0205

AUG 15 2023

FROM: Airport Director

SUBJECT: Approval of Lease Termination Agreement for the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease No. 18-0234 with Spa BR SFO, LLC dba Be Relax

DIRECTOR'S RECOMMENDATION: (1) APPROVE THE LEASE TERMINATION AGREEMENT FOR THE TERMINAL 3 BOARDING AREA E AND INTERNATIONAL TERMINAL BOARDING AREA G WELLNESS CONCESSION LEASE NO. 18-0234 WITH SPA BR SFO, LLC DBA BE RELAX, AND (2) DIRECT THE COMMISSION SECRETARY TO FORWARD THE LEASE TERMINATION AGREEMENT TO THE BOARD OF SUPERVISORS FOR APPROVAL PURSUANT TO SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

Executive Summary

Spa BR SFO, LLC dba Be Relax (Tenant), a traditional spa services concession tenant, has requested to terminate their lease due to a significantly diminished business climate for spa services in airports resulting from the COVID-19 pandemic. Tenant commenced construction but did not complete their buildout or open for business as a result of the pandemic. The Airport is agreeable to a termination in exchange for the payment of a termination fee. Staff seeks approval from the Airport Commission (Commission) to enter into a termination of lease agreement (Lease Termination Agreement) pursuant to which Tenant will surrender to the City its lease deposit in the amount of \$125,000.00, of which approximately \$61,000 has already been applied to Tenant's account for late opening charges. Staff believes that terminating the Lease is in the best interest of the Airport given the lack of market for spa services in a post-pandemic environment, and the amount paid by Tenant will compensate the Airport for the loss of revenue it will sustain as a result of such termination. Staff is confident that the Airport will be able to quickly re-lease the space for a more viable concept through a future competitive solicitation process.

Background

On August 7, 2018, the Commission adopted Resolution No. 18-0234, awarding the Lease to Be Relax for a term of ten years. The leased premises are for a 1,320 square foot location in

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

THIS PRINT COVERS CALENDAR ITEM NO. 15

LONDON N. BREED
MAYOR

MALCOLM YEUNG
PRESIDENT

EVERETT A. HEWLETT, JR.
VICE PRESIDENT

JANE NATOLI

JOSE F. ALMANZA

IVAR C. SATERO
AIRPORT DIRECTOR

Terminal 3 Boarding Area E and a 797 square foot location in International Terminal Boarding Area G.

On February 5, 2019, by Resolution No. 64-19, the San Francisco Board of Supervisors approved the Lease.

Construction began on the two spaces at the end of 2019 and was halted January 2020. In March 2022, Tenant asked Airport if it could lower the rent structure in response to concerns about over-budget construction costs and the effects of the COVID-19 pandemic on Tenant's sales forecast. The Airport declined to lower the rent structure. On August 8, 2022, Tenant notified the Airport of its desire to terminate the Lease. The Airport declined this request as well. After observing enplanement recovery for a prudent period and studying spa sales activity in other domestic airports also impacted by the COVID-19 pandemic, Staff now recommends allowing Tenant to terminate the Lease. Both spa operators at the Airport, neither of whom have opened yet, have approached the Airport requesting lease terminations. The lease termination with XpresSpa S.F. International, LLC, was approved by the Commission on April 18, 2023. As a result, no new spa services concessions will be pursued in the near term.

Proposal

Staff recommends that the Commission approve the Lease Termination Agreement with Tenant, pursuant to which Tenant will surrender their lease deposit in the amount of \$125,000.00 to the Airport, of which approximately \$61,000 has already been credited to Tenant's account for late opening charges. Staff believes this amount will compensate the Airport for the loss of revenue it will sustain as a result of such termination, and that allowing such termination is in the best interest of the Airport given the lack of market for spa services at airports. Staff is confident that a new tenant with a more profitable concept can be identified through a future competitive process.

Recommendation

I recommend that the Commission (1) adopt the attached resolution approving the Lease Termination Agreement for the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease No. 18-0234 with Spa BR SFO, LLC, and (2) direct the Commission Secretary to forward the Termination of Lease Agreement 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

Exhibit A

TERMINAL 3 BOARDING AREA E AND INTERNATIONAL TERMINAL BOARDING AREA G WELLNESS CONCESSION LEASE NO. 18-0234

