

1 [Concession Lease Amendment - DFS Group, L.P. - International Terminal Duty Free and
2 Luxury Lease - Suspending Minimum Annual Guarantee]

3 **Resolution approving Amendment No. 1 to the International Terminal Duty Free and**
4 **Luxury Store Lease No. 17-0303 between DFS Group, L.P. and the City and County of**
5 **San Francisco, acting by and through its Airport Commission, for the adjustment of**
6 **Base Rent under the Lease for Lease Year 1 ending on December 31, 2020, to**
7 **commence following Board approval.**

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9 WHEREAS, December 5, 2017, by Resolution No. 17-0303, the Airport Commission
10 (Commission) awarded the International Terminal Duty Free and Luxury Lease to DFS Group,
11 L.P. (Tenant); and

12 WHEREAS, On March 20, 2018, by Resolution No. 66-18, this Board of Supervisors
13 approved the Lease, a copy of which is on file with the Clerk of the Board in File No. 180079;
14 and

15 WHEREAS, Sales of Tenant during Lease Year 1 are expected to be significantly lower
16 than forecasted due to (i) severe reductions in international flights related to the COVID-19
17 outbreak, (ii) global economic issues impacting the value of the Chinese currency; and (iii) the
18 growth of arrivals duty free shopping opportunities in China; and

19 WHEREAS, As a result of such lower sales of Tenant, the Airport and Tenant reached
20 an agreement to temporarily modify the Base Rent structure by suspending the Minimum
21 Annual Guarantee and providing for the payment of a tiered percentage rent structure of 33%
22 of gross revenues for the remainder of Lease Year 1, ending on December 31, 2020; and

23 WHEREAS, On March 17, 2020, by Resolution No. 20-0051, the Commission
24 approved Amendment No. 1 to the Lease providing for such Base Rent modification; now,
25 therefore, be it

1 RESOLVED, That the Board of Supervisors approves Amendment No. 1 to the Lease,
2 which (1) changes the Base Rent structure for Lease Year 1 by temporarily suspending the
3 MAG, and (2) changing the tiered rent structure in favor of charging a percentage rent equal
4 to 33% of gross revenues, a copy of which is on file with the Clerk of the Board of Supervisors
5 in File No. _____; and, be it

6 FURTHER RESOLVED, That within thirty (30) days of the amendment being fully
7 executed by all parties, the Airport Commission shall provide the final amendment to the Clerk
8 of the Board for inclusion into the official file.

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