File No. 110988

Committee Item No.	7
Board Item No.	

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee:	Budget and Finance Committee	Date: October 26, 2011
Board of Su	pervisors Meeting	Date
Cmte Boa	rd	
	Motion Resolution Ordinance Legislative Digest Budget & Legislative Analyst Re Ethics Form 126 Introduction Form (for hearings) Department/Agency Cover Lette MOU Grant Information Form Grant Budget Subcontract Budget Contract/Agreement Award Letter Application	
OTHER	(Use back side if additional space	ce is needed)
•	• • • • • • • • • • • • • • • • • • • •	Date: <u>October 21, 2011</u> Date:

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

[Airport Concession Lease - Amendment No. 3 to North Terminal Bookstore - Books, Inc.]

Resolution approving Amendment No. 3 to North Terminal Bookstore Lease No. 00-0176 between Books, Inc. and the City and County of San Francisco, acting by and through its Airport Commission.

WHEREAS, the Airport Commission awarded the North Terminal Bookstore Lease (the "Lease") to Books, Inc., pursuant to Airport Commission Resolution No. 00-0176 adopted on May 16, 2000, and Board of Supervisors Resolution No. 667-00 adopted on July 24, 2000;

WHEREAS, Amendment No. 1 to the Lease, which authorized the Airport Director to implement the Concession Support Program providing Books, Inc. with one option to extend the term by five years (the "Option Term"), was approved by Airport Resolution No. 02-0039 adopted on February 19, 2002, and Board of Supervisor Resolution No. 552-02 adopted on August 12, 2002; and

WHEREAS, In anticipation of the Option Term expiring on December 25, 2010, the Airport commenced the competitive selection process for the Terminal 3 Bookstore Lease, pursuant to Airport Commission by Resolution No. 10-0161, adopted April 20, 2010; and

WHEREAS, Due to the unknown schedule of the Terminal 3 security checkpoint, the Airport Commission adopted Resolution No. 10-0305 on October 5, 2010 terminating the Request for Proposal process for the Terminal 3 Bookstore Lease; and

WHEREAS, Amendment No. 2 to the Lease, which (1) allows Books, Inc. to enter into a month-to-month tenancy, effective December 16, 2010, for no more than fifteen (15) months in order to maintain the level of service in Terminal 3; (2) re-measures the premises to approximately 3,810 square feet, and (3) requires Books, Inc. to make certain improvements to the premises within the first four months of the holdover period, was approved by Airport

Commission Resolution No. 10-0318 adopted on October 26, 2010, and Board of Supervisors Resolution No. 10-161 adopted on April 20, 2010; and

Whereas, Due to the evolving schedule of the main security checkpoint and surrounding areas in Terminal 3, the Airport Commission adopted Resolution No. 11-054 on June 30, 2011 approving Amendment No. 3 to the Lease, which extends the holdover of the lease to no later than September 14, 2013, unless either party terminates the Lease pursuant to Section 2.6 of the Lease; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby approves Amendment No. 3 to North Terminal Bookstore Lease No. 00-0176 with Books, Inc., copies of which are contained in Board of Supervisors' File No. 110988.

Items 5, 6, and 7

Department:

Files 11-0986, 11-0987, 11-0988

San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- 11-0986 Resolution approving the First Amendment to the lease between the Airport and Pacific Gateway Concessions, LLC to retroactively extend the existing lease on a month to month basis for the newsstand in Terminal 3, Boarding Area E, for one year from March 14, 2011 through March 13, 2012.
- 11-0987 Resolution approving the Fourth Amendment to the lease between the Airport and Pacific Gateway Concessions, LLC to renew the existing lease for four retail concessions in Terminal 1, Boarding Areas B and C, for two years from June 18, 2012 through June 17, 2014, with two additional one year options to extend, or through June 17, 2016.
- 11-0988 Resolution approving the Third Amendment to the lease between the Airport and Books, Inc. to extend the North Terminal Bookstore Lease in Terminal 3, adjacent to Security Checkpoint F, for 18 months from March 15, 2012 through September 14, 2013.

Key Points

- The Airport is requesting short term extension of two leases and renewal of one lease due to the planned remodel of terminal boarding areas and a security checkpoint adjacent to the lease locations. The short term extensions and lease renewal would give the Airport flexibility to terminate the leases at the beginning of needed construction in each of the terminal boarding areas and the security checkpoint.
- The Airport intends to begin seismic remodeling in Terminal 3, Boarding Area E, adjacent to the existing newsstand space leased by Pacific Gateway Concessions, LLC in the Spring of 2012. The proposed one-year extension of the existing lease between the Airport and Pacific Gateway Concessions, LLC, would be retroactive from March 14, 2011 through March 13, 2012 and would terminate at the time that the seismic remodeling is scheduled to begin. Mr. John Reeb, Airport Senior Property Manager, states that the proposed lease extension, which was approved by the Airport Commission on June 30, 2011, is retroactive due to the time required to complete the lease extension negotiations (File 11-0986).
- The Airport intends to begin seismic remodeling in Terminal 1, Boarding Area B, adjacent to four retail concession spaces leased by Pacific Gateway Concessions, LLC, in approximately 2016. The proposed two-year lease renewal, with two one-year options to extend, between the Airport and Pacific Gateway Concessions, LLC, would terminate in approximately June 2016, if the options to extend are exercised, which is the estimated date that the seismic remodeling would begin (File 11-0987).
- The Airport intends to remove Security Checkpoint F in Terminal 3, adjacent to the North Terminal Bookstore, in approximately FY 2013-14. The proposed 18-month lease extension between the Airport and Books, Inc., from March 15, 2012 to September 14, 2013, would terminate at approximately the estimated start date of the construction to remove Security Checkpoint F in 2013 (File 11-0988).

Fiscal Impacts

• The rental rates in the three leases are based on the higher of percentage rents or the Minimum Annual Guarantee (MAG). Under the proposed resolutions, the rental rates in the two proposed lease extensions and the one proposed lease renewal are the same rental rates as are paid under the existing leases. According to Mr. Reeb, the Airport is not proposing increases in rental rates because the percentage rents are comparable to other Airport concession leases. Mr. Reeb notes that the MAGs are subject to annual Consumer Price Index (CPI) adjustments.

• Mr. Reeb estimates total lease revenues for the three subject leases during the extended lease terms would be \$6,490,985.

Recommendations

- Amend File 11-0986 to specify that the proposed lease extension is retroactive to March 14, 2011.
- Approve File 11-0986, as amended.
- Approve Files 11-0987 and 11-0988.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with City Charter Section 9.118(c), any lease exceeding ten years and/or having anticipated revenue of \$1,000,000 or greater is subject to the Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

The Airport is planning to seismically remodel Terminal 3, Boarding Area E, and Terminal 1, Boarding Area B, and to remove the existing Security Checkpoint F in Terminal 3. The Airport has three existing leases for concessions located adjacent to these locations. The Airport is proposing short term extensions of two leases and renewal of one lease, which were previously awarded through a competitive process, to allow the Airport to reduce or terminate the leases prior to the planned needed seismic remodels and removal of the security checkpoint. According to Mr. John Reeb, Senior Property Manager at the Airport, the Airport typically enters into leases of 5 to 10 years. The Airport is proposing extension or renewal of the three existing concession leases for shorter terms as follows:

File 11-0986. The existing lease between the Airport and Pacific Gateway Concessions LLC, is for two newsstand locations in Terminal 3: Space A in Boarding Area F and Space B in Boarding Area E. Due to the Airport's anticipated closure of Boarding Area E for seismic remodeling, currently scheduled to begin in the Spring of 2012, the Airport and Pacific Gateway Concessions, LLC entered into a 12 month hold-over extension of the existing lease from March 14, 2010 through March 13, 2011. In April 2011, the Airport revised the lease agreement to remove the newsstand located in Space B in Boarding Area E. Because seismic remodeling of Boarding Area E will impact the remaining newsstand located in Space A in Boarding Area F, the Airport proposes extending the existing lease for one year on a month-to-month basis with the expected termination of the lease in March 2012, which is the approximate date that the seismic remodeling is scheduled to begin. The proposed resolution would approve the First Amendment to the existing lease on a month-to-month basis for one year retroactive to March 14, 2011, through March 13, 2012. Mr. Reeb states that the proposed lease extension, which was approved by the Airport Commission on June 30, 2011, is retroactive due to the time required to complete the lease extension negotiations.

<u>File 11-0987</u>. The existing lease between the Airport and Pacific Gateway Concessions, LLC is for four locations in Terminal 1, Boarding Areas B and C, which provide magazines, specialty books, gifts, candy, souvenirs, and other concessions. The future seismic remodel of Terminal 1,

Boarding Area B, tentatively scheduled to begin in 2015 or 2016, will impact the four locations in Boarding Areas B and C. The proposed resolution would approve renewal of a two-year lease from June 18, 2012 through June 17, 2014, with two one-year extensions through June 17, 2016, in order to give the Airport maximum flexibility to adjust the construction schedule for the seismic remodel and terminate the leases prior to the beginning of the needed construction.

<u>File 11-0988.</u> The existing lease between the Airport and Books, Inc. is for the North Terminal Bookstore adjacent to Security Checkpoint F in Terminal 3. The existing lease is currently on a month-to-month holdover through March 15, 2012. The proposed resolution would approve an extension to existing lease for an additional 18 months on a month-to-month basis, from March 15, 2012 through September 14, 2013 due to the future removal of the current Security Checkpoint F, tentatively scheduled to begin in FY 2013-14.

According to Mr. Reeb, the Airport will conduct a new competitive process for the concession locations, currently covered by the three subject leases, once construction is completed at these locations.

FISCAL IMPACTS

The rental rates in the three leases are based on the higher of percentage rents or the Minimum Annual Guarantee (MAG). Under the proposed resolutions, the rental rates in the two proposed lease extensions and the one proposed lease renewal are the same rental rates as are paid under the existing leases. According to Mr. Reeb, the Airport is not proposing increases in rental rates because the percentage rents are comparable to other Airport concession leases. Mr. Reeb notes that the MAGs are subject to annual Consumer Price Index (CPI) adjustments. Mr. Reeb estimates total lease revenues for the three subject leases during the extended lease terms would be \$6,490,985, as follows:

			MAC	Town	Expected Total Rental Revenue to be Paid to the
File	Vendor	Percentage Rent	MAG	Term	Airport
	Pacific	12% of gross revenue up to \$500,000			
	Gateway	14% of gross revenue \$500,000 to \$1,000,000		12	
11-0986	Concessions	16% of gross revenue greater than \$1,000,000	None	months	\$90,985
	Pacific	12% of gross revenue up to \$500,000	,	,	
	Gateway	14% of gross revenue \$500,000 to \$1,000,000		48	F 2
11-0987	Concessions	16% of gross revenue greater than \$1,000,000	\$1,450,000	months	\$5,800,000
		8% of gross revenues up to \$2,000,000		18	
11-0988	Books, Inc.	10% of gross revenues greater than \$2,000,000	\$400,000	months	\$600,000
				Total	\$6,490,985

RECOMMENDATIONS

- 1. Amend File 11-0986 to specify that the proposed lease extension is retroactive to March 14, 2011.
- 2. Approve File 11-0986, as amended.
- 3. Approve Files 11-0987 and 11-0988.



San Francisco International Airport

September 20, 2011

Ms. Angela Calvillo
Clerk of the Board
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

RECEIVED SAN FRANCISCO SAN FRANCISCO MILSEP 22 PM 1:59

Subject:

Approval of Amendment No. 3 to North Terminal Bookstore Lease No. 00-0176, between Books, Inc. and the City and County of San Francisco, acting by and through its Airport Commission

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval, Amendment No. 3 to North Terminal Bookstore Lease No. 00-0176, between Books, Inc., and the City and County of San Francisco, acting by and through its Airport Commission. The Airport Commission approved this Amendment No. 3 by its Commission Resolution No. 11-0154 adopted on June 30, 2011.

The following is a list of accompanying documents (five sets):

- Board of Supervisors Resolution;
- Ethics Forms SFEC126;
- Approved Airport Commission Resolution No. 11-0154; and
- Copy of Amendment No. 3 to North Terminal Bookstore Lease No. 00-0176.

You may contact Cheryl Nashir of Airport Revenue Development and Management at (650) 821-4500 regarding this matter.

Veryftruly yours

Jean Caramatti

Commission Secretary

Enclosures

cc: Cheryl Nashir

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRÂNCISCO RESOLUTION NO. 11-0154

<u>APPROVAL OF AMENDMENT NO. 3 TO BOOKS, INC.'S NORTH TERMINAL BOOKSTORE LEASE NO. 00-0176</u>

- WHEREAS, by Resolution No. 00-0176, adopted May 16, 2000, the Airport Commission awarded the North Terminal Bookstore Lease (the "Original Lease") to Books, Inc.; and
- WHEREAS, the Original Lease was subsequently amended by Amendment No. 1 by Resolution No. 02-0039, adopted February 19, 2002 (authorizing the Airport Director to implement the Airport Concession Support Program) and Amendment No. 2 (by Resolution No. 10-0318 adopted October 26, 2010 (authorizing a change in premises, adjusting the Minimum Annual Guarantee and percentage rent structure, approving a 15-month holdover which commenced on December 5, 2010, and requiring a refurbishment of the premises) (the Original Lease, Amendments No. 1 and No. 2 shall be referred to herein as the "Lease"); and
- WHEREAS, it is prudent that that holdover continue to no later than September 14, 2013 based on the current schedule for the renovation of the adjacent security checkpoint and surrounding areas; and
- WHEREAS, Books, Inc. has agreed to operate through the extended holdover period; now, therefore, be it
- RESOLVED, that this Commission hereby authorizes Amendment No. 3 to North Terminal Bookstore Lease No. 00-0176 continuing its holdover status to no later than September 14, 2013, unless either party terminates pursuant to Section 2.6 of the Lease; and be it further
- **RESOLVED,** that the Commission Secretary is hereby directed to request approval of this Amendment No. 3 by Resolution from the Board of Supervisors pursuant to Section 9.118 of the City Charter.

I hereby certify that the foregoing	g resolution was adopted by the Airport Commission
at its meeting of	JUN 3 0 2011
	Alan Lammotti
	Secretary

File No.	110988
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FORM SFEC-126: NOTIFICATION OF CONTRACT APPROVAL

(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information (Please print clearly.)	
Name of City elective officer(s):	City elective office(s) held:
Members, SF Board of Supervisors	Members, SF Board of Supervisors
Contractor Information (Please print clearly.)	
Name of contractor:	
Books, Inc.	
Please list the names of (1) members of the contractor's board of dir financial officer and chief operating officer; (3) any person who has	ectors; (2) the contractor's chief executive officer, chief
inancial officer and chief operating officer; (3) any person who has any subcontractor listed in the bid or contract; and (5) any political	committee sponsored or controlled by the contractor. Use
additional pages as necessary.	
(2) Michael Tucker, President; Nikolai Grant, Vice President-O	perations; Margie Scott Tucker, Secretary/Marketing
and Human Resources; Kwok Chan, CFO/Controller.	
(3) Nikolai Grant (49%) and Steven Mayer (31%).	
Contractor address:	
1501 Vermont St., San Francisco, CA 94107	
Date that contract was approved:	Amount of contract:
Lease originally approved 5/16/2000; Amendment 1	Minimum Annual Guarantee of \$400,000 during
(Concession Support Program) approved by A/C 2/19/2002 by A/C Res. No. 02-00239; Amendment 2 approved	the holdover period
10/26/2010 by A/C Res. 10-0318	
Describe the nature of the contract that was approved:	
Lease was awarded through a Request for Proposal process.	
Comments:	
Base Term was 5 years. Concession Support Program gave 1	enant one five-year option which expires on
12/15/2010.	
File a section to the amount of his (about applicable)	
This contract was approved by (check applicable):	Name Name
☐ the City elective officer(s) identified on this form (Mayor, Ga ☐ board on which the City elective officer(s) serves San Fra	vill Newsolli)
Pri	nt Name of Board
☐ the board of a state agency (Health Authority, Housing Autho	rity Commission, Industrial Development Authority
Board, Parking Authority, Redevelopment Agency Commission	n, Relocation Appeals Board, Treasure Island
Development Authority) on which an appointee of the City elec	tive officer(s) identified on this form sits
Print Name of Board	
Filer Information (Please print clearly.)	
Name of filer:	Contact telephone number:
Angela Calvillo, Clerk of the Board of Supervisors	(415) 554-5184
Address:	E-mail:
1 Dr. Carlton B. Goodlett Place, Room 244,	Board.of.Supervisors@sfgov.org
San Francisco, CA 94102-4689	
Signature of City Elective Officer (if submitted by City elective office	Date Signed
Signature of City Elective Officer (it submitted by City elective office	Date Digited
Signature of Board Secretary or Clerk (if submitted by Board Secretar	y or Clerk) Date Signed

AMENDMENT NO. 3 TO NORTH TERMINAL BOOKSTORE LEASE NO. 00-0176 AT SAN FRANCISCO INTERNATIONAL AIRPORT

THIS AMENDMENT N	O. 3 TO NORTH TERMINAL BOOKSTORE LEASE
NO. 00-0176 AT THE S.	AN FRANCISCO AIRPORT ("Amendment No. 3"), dated as
of	, for reference purposes only, is entered by and between the
	COUNTY OF SAN FRANCISCO, a municipal corporation (the
	ough the SAN FRANCISCO AIRPORT COMMISSION (the
"Airport"); as landlord, a	nd BOOKS, INC., as tenant ("Tenant").

RECITALS

- A. The Airport and Tenant entered into Lease No. 00-0176, dated August 14, 2000 (the "Lease") for that certain retail space located at the Airport in Terminal 3 (the "Premises"). The Lease was previously approved by the Airport Commission pursuant to Resolution Number 00-0176, and by the Board of Supervisors pursuant to Resolution Number 667-00.
- B. The Lease was subsequently amended pursuant to Amendment No. 1, approved by Airport Commission Resolution No. 02-0039, adopted February 19, 2002, which authorized the Director to implement the Concession Support Program ("CSP") giving Tenant one option to extend the Lease term by five (5) years ("CSP Option Term"). Books, Inc. exercised the CSP Option Term, which will expire on December 15, 2010.
- C. The Lease was further amended pursuant to Amendment No. 2, approved by Airport Commission Resolution No. 10-0318, adopted October 26, 2010, which authorized the Airport Director to adjust the premises, adjust the Minimum Annual Guarantee and percentage rent structure, approved a fifteen (15) month holdover, and required a refurbishment of the premises.
- D. The schedule for the reconfiguration of the Terminal 3 checkpoints and surrounding areas continue to evolve.
- E. The Airport and Tenant wishes to maintain the high level of service in Terminal 3 until the Terminal 3 Checkpoint Reconfiguration project is clearly defined, and seeks to extend the holdover over period to expire no later than September 14, 2013, unless either party terminates pursuant to Section 2.6 of the Lease.
- F. The Airport and Tenant have agreed to modify the certain terms of the lease during the holdover period, as set forth below.
- G. All capitalized terms not otherwise defined herein shall have the same meaning given to them in the Lease.

NOW, THEREFORE, in consideration of the foregoing and for valuable consideration the sufficiency of which is hereby acknowledged, City and Tenant hereby agree to amend the Lease as follows:

AGREEMENT

- 1. <u>Recitals</u>. The foregoing recitals are true and correct and are incorporated herein by this reference as if fully set forth herein.
- 2. Effective Date. The effective date of the modifications to the Lease contained in shall be
- 3. <u>Term.</u> The Lease shall continue on in holdover status, on a month to month basis, to no later than September 14, 2013.
- 4. <u>Entire Agreement</u>. This Amendment No. 3 contains all of the representations and the entire agreement between the parties with respect to the subject matter of this agreement. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to the subject matter of the Amendment No. 3 are superseded in their entirety by this Amendment No. 3. No prior drafts of this Amendment No. 3 or changes between those drafts and the executed version of this Amendment No. 3 shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider such drafts in interpreting this Amendment No. 3.
- 5. <u>Miscellaneous</u>. This Amendment No. 3 shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto. This Amendment No. 3 is made for the purpose of setting forth certain rights and obligations of Tenant and the Airport, and no other person shall have any rights hereunder or by reason hereof as a third party beneficiary of otherwise.

Each party hereto shall execute, acknowledge and deliver to each other party all documents, and shall take all actions, reasonably requested by such other party from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Amendment No. 3. This Amendment No. 3 may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof. No provision of this Amendment No. 3 that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all provisions hereof are hereby declared to be severable. Time is of the essence of this Amendment No. 3. This Amendment No. 3 shall be governed by the laws of the State of California. Neither this Amendment No. 3 nor any of the terms hereof may be amended or modified except by a written instrument signed by all the parties hereto.

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///.				

IN WITNESS WHEREOF, the Airport and Tenant execute this Amendment No. 3 to the Lease as of the last date set forth below.

s of the last date set forth below.			
	TENANT:	Books, Inc. a California corporation	
		By:	
		Name: Michael Tucker	_
		Title: President	_
	CITY:	CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its Airport Commission	n
		John L. Martin Airport Director	-
AUTHORIZED BY AIRPORT COMMISSION			
Resolution No. 11-0154 Adopted: 0.20			
Attest: Secretary Airport Commission	<u>* </u>		
APPROVED AS TO FORM:			
DENNIS J. HERRERA, City Appropriate By:			
Deputy City Attorney			

07.21.2011
X:\TENANTS\Books Inc\Agreements\Working Docs\NT Books Amend 3.doc