

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 20-0159

**APPROVAL OF LEASE AMENDMENT NO. 2 TO THE TERMINAL 3 CONCOURSE
SPECIALTY STORE LEASE 09-0176 WITH AIR SUN JV DBA SUNGLASS HUT**

WHEREAS, on July 7, 2009, by Resolution No. 09-0176, the Commission awarded the Terminal 3 Concourse Specialty Store Lease (Lease) to Air Sun JV; and

WHEREAS, on December 6, 2016, by Resolution No. 16-0325, the Commission approved the early exercise of the option to extend the term of the Lease, thereby extending the term to March 5, 2019; and

WHEREAS, on February 5, 2019, by Resolution No. 19-0022, the Commission approved Amendment No. 1 to the Lease, extending the term to December 31, 2020; and

WHEREAS, the planned Terminal 3 West project has been put on hold due to the COVID-19 pandemic; and

WHEREAS, extending the Lease for a limited period without interruption prior to the commencement of the T3 West project is necessary to preserve customer service and maintain revenue; now, therefore, be it

RESOLVED, that this Commission hereby approves Amendment No. 2 to the Terminal 3 Concourse Specialty Store Lease No. 09-0176 with Air Sun JV, extending the term to December 31, 2023, with a condition that the Airport Director, at his sole and absolute discretion, may terminate earlier by providing six months' advance written notice; and, be it further

RESOLVED, that this Commission hereby directs the Commission Secretary to seek approval of Lease Amendment No. 2 from the Board of Supervisors pursuant to Section 9.1118 of the Charter of the City and County of San Francisco.

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

SEP 15 2020

Secretary



MEMORANDUM

September 15, 2020

20-0157

TO: AIRPORT COMMISSION
 Hon. Larry Mazzola, President
 Hon. Eleanor Johns, Vice President
 Hon. Richard J. Guggenlime
 Hon. Everett A. Hewlett, Jr.
 Hon. Malcolm Yeung

20-0158

20-0159

20-0160

~~SEP 15 2020~~ SEP 15 2020

FROM: Airport Director

SUBJECT: Approval of Lease Amendments to Extend the Term of Four Leases in Terminal 3

DIRECTOR'S RECOMMENDATION: APPROVE AMENDMENTS TO FOUR LEASES IN TERMINAL 3 AFFECTED BY THE TERMINAL 3 WEST PROJECT: (1) SPECIALTY COFFEE FACILITIES LEASE NO. 03-0069 WITH GOTHAM ENTERPRISES, LLC (PEET'S COFFEE & TEA); (2) DOMESTIC TERMINAL FOOD AND BEVERAGE PROGRAM LEASE NO. 03-0203 WITH D-LEW ENTERPRISES, LLC (YANKEE PIER); (3) TERMINAL 3 CONCOURSE SPECIALTY STORE LEASE NO. 09-0176 WITH AIR SUN JV (SUNGLASS HUT); (4) ELECTRONICS AND TECHNOLOGY STORES IN TERMINAL 2 AND TERMINAL 3 LEASE NO. 10-0038 WITH INMOTION ENTERTAINMENT GROUP, LLC (INMOTION), EXTENDING THE TERMS THROUGH DECEMBER 31, 2023 OR EARLIER WITH SIX MONTHS' ADVANCE NOTICE, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE LEASE AMENDMENTS TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

As part of the Airport's ongoing facilities improvement efforts, the Airport has plans to renovate Terminal 3, between Gates F1 and F4 (T3 West Project), a project which was anticipated to begin this year. Several tenants located within the T3 West Project were previously granted lease extensions through December 31, 2020 in order to provide uninterrupted customer service and revenue generation in this area prior to commencement of construction. Due to the COVID-19 pandemic, the T3 West Project is currently on hold. Staff recommends again extending the terms of certain leases within the T3 West Project for an additional three years, through December 31, 2023, with the condition that the Airport Director, at his sole and absolute discretion, may terminate earlier by providing six months' advance written notice to the tenants.

Background

The T3 West Project will include a new concessions program, replacing the stores and restaurants that are currently located on the departures level. This base building work was slated to commence sometime in 2020. Due to the severe disruption to the global aviation industry caused by COVID-19 pandemic, the Airport has postponed commencement of the T3 West Project.

THIS PRINT COVERS CALENDAR ITEM NO. 5

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR	LARRY MAZZOLA PRESIDENT	ELEANOR JOHNS VICE PRESIDENT	RICHARD J. GUGGENHIME	EVERETT A. HEWLETT, JR.	MALCOLM YEUNG	IVAR C. SATERO AIRPORT DIRECTOR
--------------------------	----------------------------	---------------------------------	-----------------------	-------------------------	---------------	------------------------------------

To preserve customer service and maintain revenue, Staff is recommending extending the following leases in the areas that would have otherwise been closed as a result of the T3 West Project: (1) Specialty Coffee Facilities Lease No. 03-0069 with Gotham Enterprises, LLC (Peet's Coffee & Tea); (2) Domestic Terminal Food and Beverage Program Lease No. 03-0203 with D-Lew Enterprises, LLC (Yankee Pier); (3) Terminal 3 Concourse Specialty Store Lease No. 09-0176 with Air Sun JV (Sunglass Hut); (4) Electronics and Technology Stores in Terminal 2 and Terminal 3 Lease No. 10-0038 with InMotion Entertainment Group, LLC (InMotion), (collectively, the T3 West Leases). The current expiration date for the T3 West Leases is December 31, 2020.

Additional background on each of the four T3 West Leases is provided below:

Specialty Coffee Facilities Lease No. 03-0069 (Peet's Coffee & Tea)

On April 15, 2003, by Resolution No. 03-0069, the Commission approved, as part of a settlement, the assignment of the Specialty Coffee Facilities Lease from D. Mitchell Concessions, Inc. to Gotham Enterprises, LLC, to operate as Peet's Coffee & Tea, for a term of approximately 12 years with one option to extend the term for two years. The Commission exercised the sole option to extend in May 2009. This lease comprises one location in Terminal 1 Boarding Area B, and two locations in Terminal 3. The lease expired with respect to the Terminal 1 location. By Resolution No. 17-0318, adopted December 19, 2017, the Commission approved Amendment No. 2 for the two locations in Terminal 3, extending the lease to December 31, 2020, or an earlier date with six months' advance notice. One location in Terminal 3 was subsequently terminated, and space located by Gate F4 is the sole location remaining on this lease.

Staff recommends extending this lease to December 31, 2023.

Domestic Terminal Food and Beverage Program Leases No. 03-0203 (Yankee Pier)

On September 29, 2003, by Resolution No. 03-0203, the Commission awarded D-Lew Enterprises, LLC (Yankee Pier) the Domestic Terminal Food and Beverage Program Leases, for a term of 10 years with one option to extend the term for two years. On May 22, 2009, by Resolution No. 09-0118, the Commission exercised the sole option to extend Lease No. 03-0203 through December 14, 2016. By Resolution No. 17-0317, adopted December 19, 2017, the Commission approved Amendment No. 1 extending the lease to December 31, 2020.

Staff recommends extending this lease to December 31, 2023.

Terminal 3 Concourse Specialty Store Lease No. 09-0176 (Sunglass Hut)

On July 7, 2009, by Resolution No. 09-0176, the Commission awarded the Terminal 3 Concourse Specialty Store Lease to Air Sun JV for the operation of a Sunglass Hut with an initial term of seven years that expired on March 5, 2017. On December 6, 2016, by Resolution No. 16-0325 the Airport Commission exercised the one 2-year option extending the lease through March 5, 2019. On February 5, 2019, by Resolution No. 19-0022, the Commission approved Amendment No. 1 extending the lease to December 31, 2020.

Staff recommends extending the term of this lease to December 31, 2023.

Electronics and Technology Stores Lease No. 10-0038 (InMotion Entertainment)

On February 18, 2010, by Resolution No. 10-0038, the Commission awarded the Electronics and Technology Stores Lease to Edge 1 Cellular, LP, with an initial term of seven years. On December 3, 2013, by Resolution No. 13-0259, the Commission consented to the assignment of the lease from Edge 1 Cellular, LP to InMotion Entertainment Group, LLC. This lease is comprised of one location in Terminal 2 and one location in Terminal 3. The Terminal 2 location was allowed to expire. On December 19, 2017, by Resolution No. 17-0319, the Commission approved Amendment No. 2 extending the lease for the Terminal 3 location only to December 31, 2020.

Staff recommends extending the term of this lease to December 31, 2023.

Proposed Lease Amendments

Airport staff recommends the Commission approve lease amendments to extend the terms of the T3 West Leases to December 31, 2023, with a condition that the Airport Director, at his sole and absolute discretion, may terminate the term earlier by providing six months' advance written notice. Staff recommends retaining this right to an earlier termination to build in flexibility should the T3 West Project schedule change.

Recommendation

I recommend the Commission adopt the accompanying resolutions approving the amendments to the T3 West Leases, extending the terms to December 31, 2023, with a condition that the Airport Director may terminate earlier by providing six months' advance written notice. I further recommend the Commission Secretary forward these lease amendments to the Board of Supervisors for approval.



Ivar C. Satero
Airport Director

Prepared by: Cheryl Nashir
Acting Chief Commercial Officer

Attachments

Attachment 1

Impacted Facilities in Terminal 3

