

San Francisco International Airport

MEMORANDUM

September 5, 2017

17-0207

TO: AIRPORT COMMISSION
 Hon. Larry Mazzola, President
 Hon. Linda S. Crayton, Vice President
 Hon. Eleanor Johns
 Hon. Richard J. Guggenheimer
 Hon. Peter A. Stern

17-0208

17-0200

17-0210

17-0211

SEP 05 2017

FROM: Airport Director

SUBJECT: Award of the Five (5) International Terminal Newsstand and Specialty Retail Concession Leases

DIRECTOR'S RECOMMENDATION: (1) APPROVE THE RECOMMENDED OPERATORS AND AWARD 5 INTERNATIONAL TERMINAL NEWSSTAND AND SPECIALTY RETAIL CONCESSION LEASES; AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The competitive selection process for the International Terminal Newsstand and Specialty Retail Concession Leases has concluded and award is recommended for the Leases. The operators for which approval is sought are: HG SFO Retailers 2017 JV (Lease No. 1, a newsstand in International Terminal A); Pacific Gateway Concessions, LLC (Lease Nos. 2 and 5, newsstands in International Terminals A and G); DFS Group, LP (Lease No. 3, a specialty retail concession in International Terminal A); and Canonica New York, LLC (Lease No. 4, a specialty retail concession in International Terminal G).

Background

By Resolution No. 17-0036, adopted February 21, 2017, the Airport Commission ("Commission") authorized staff to commence the Request for Proposals ("RFP") process for the International Terminal Newsstand and Specialty Retail Concession Leases ("Leases"). The Leases propose a term of seven years, with two one-year options to extend at the Commission's discretion. There are five separate leases comprising approximately 7,327 square feet in International Terminal Boarding Areas A and G.

Staff conducted an informational meeting on April 4, 2017, and presented the International Terminal Newsstand and Specialty Retail Concession Leases business opportunities to the interested parties. Staff gathered feedback from potential proposers and no changes were made to the proposed terms.

THIS PRINT COVERS CALENDAR ITEM NO. 6

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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PRESIDENTLINDA S. CRAYTON
VICE PRESIDENT

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RICHARD J. GUGGENHIME

PETER A. STERN

IVAR C. SATERO
AIRPORT DIRECTOR

By Resolution No. 17-0134, adopted on June 6, 2017, the Commission authorized staff to accept proposals for the Lease.

In response to the RFP, the Airport received twenty-three proposals on July 7, 2017. Two of the proposals were rejected and not scored for failure to meet the minimum qualifications or tendering an incomplete submittal.

Staff determined that the remaining proposals met the RFP's minimum qualifications. Staff then convened a three-member panel to evaluate the proposals. The panel consisted of the following: two members from the Airport staff and an independent consultant. The panel determined HG SFO Retailers 2017 JV, Pacific Gateway Concessions, LLC, DFS Group, LP and Canonica New York, LLC were the highest ranking, responsive, and responsible proposers.

The proposers, proposed concepts and corresponding evaluation panel scores, are as follows:

Lease No. 1, Newsstand, International Terminal A

PROPOSER	CONCEPT NAME	SCORE
HG SFO Retailers 2017 JV	Ingenuity by Hudson	80.33
Pacific Gateway Concessions, LLC	The New Stand	77.63
Avila Retail Development & Management, LLC	Connections	76.07
MRG San Francisco, LLC	7X7 News & Gifts	68.62
Paradies Lagardere	TripAdvisor	64.43

Lease No. 2, Newsstand, International Terminal A

PROPOSER	CONCEPT NAME	SCORE
Pacific Gateway Concessions, LLC	The New Stand	86.34
Paradies Lagardere	43 Hills Market	80.20
Avila Retail Development & Management, LLC	Connections	75.21

Lease No. 3, Specialty Retail, International Terminal A

PROPOSER	CONCEPT NAME	SCORE
DFS Group, LP	Sunglasses & Watches	81.72
Canonica New York, LLC	The Chocolate Market	79.71
SFS Investors, LLC	Chanel	73.68
RDG Concessions, LLC	Pacific Outfitters	68.90
Duty Free Americas Airports, Inc.	Dior & Chanel Beauty	67.87

Lease No. 4, Specialty Retail, International Terminal G

PROPOSER	CONCEPT NAME	SCORE
Canonica New York, LLC	The Chocolate Market	84.10
DFS Group, LP	Sunglasses & Watches	79.31
MRG San Francisco, LLC	Jean-Marie Auboine Chocolatier	76.62
Duty Free Americas Airports, Inc.	Urban Decay, YSL & Giorgio Armani	71.80
RDG Concessions, LLC	Pacific Outfitters	67.70

Lease No. 5, Newsstand, International Terminal G

PROPOSER	CONCEPT NAME	SCORE
Pacific Gateway Concessions, LLC	The New Stand	83.20
HG SFO Retailers 2017 JV	Ingenuity by Hudson	80.93
Avila Retail Development & Management, LLC	Connections	73.28

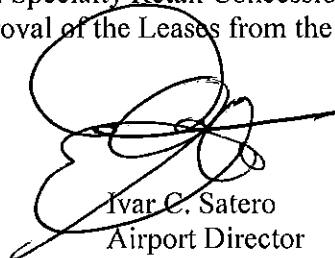
Base rent is the greater of the Minimum Annual Guarantee ("MAG") or the percentage rent, as listed below. Each company's proposed MAG for the first year of their Lease and the Lease terms are also listed.

PACKAGE AND PROPOSER	FIRST YEAR MAG PROPOSAL	TERM	PERCENTAGE RENT
<u>Lease No. 1</u> HG SFO Retailers 2017 JV	\$1,540,000.00	7 years with two one-year options to extend at the Commission's discretion	• 12% of Gross Revenues achieved up to and including \$500,000.00, plus • 14% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus • 16% of Gross Revenues achieved over \$1,000,000.00
<u>Lease No. 2</u> Pacific Gateway Concessions, LLC	\$814,144.00		
<u>Lease No. 3</u> DFS Group, LP	\$380,000.00		
<u>Lease No. 4</u> Canonica New York, LLC	\$280,000.00		
<u>Lease No. 5</u> Pacific Gateway Concessions, LLC	\$1,531,761.00		

Among the five leases recommended for award, one proposer winning two leases is from the Bay Area. The other three proposals were tendered from two firms in Southern California and one in New Jersey. The Bay Area proposer is a joint venture which includes a total of 30% ownership with two local Airport Concession Disadvantaged Business Enterprise ("ACDBE") partners. One of the Southern California proposers is a joint venture which includes 25% ownership with an ACDBE partner. The New Jersey proposer is a joint venture which includes 10% ownership with a local ACDBE partner and 10% with an ACDBE partner. Among the concepts proposed, all are new to the Airport.

Recommendation

I recommend that the Commission (1) award to the recommended operators the aforementioned five International Terminal Newsstand and Specialty Retail Concession Leases; and (2) direct the Commission Secretary to request approval of the Leases from the Board of Supervisors.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

PREMISES

INTERNATIONAL TERMINAL NEWSSTAND AND SPECIALTY RETAIL CONCESSION LEASES

