



**MEMORANDUM**

February 5, 2019

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

FROM: Airport Director

SUBJECT: Approval of Lease Amendments No. 1 to the Terminal 3 Concourse Specialty Store Lease No. 09-0176 with Air Sun JV and Terminal 3 Bath & Beauty Store Lease No. 12-0088 with Purity Cosmetics

DIRECTOR'S RECOMMENDATION: APPROVE LEASE AMENDMENTS NO. 1 TO: (1) THE TERMINAL 3 CONCOURSE SPECIALTY STORE LEASE NO. 09-0176 WITH AIR SUN JV AND (2) THE TERMINAL 3 BATH & BEAUTY STORE LEASE NO. 12-0088 WITH PURITY COSMETICS, EXTENDING THE TERM OF EACH LEASE THROUGH DECEMBER 31, 2020, OR EARLIER WITH SIX MONTHS' ADVANCE NOTICE.

**Executive Summary**

Air Sun JV, a joint venture between Sunglass Hut Trading, LLC and Corliss Stone-Littles, LLC ("Air Sun") currently operates Sunglass Hut, a sunglasses retail store located in Terminal 3 West ("Air Sun Lease"). The Air Sun Lease expires on March 5, 2019.

Purity Cosmetics ("Purity Cosmetics") currently operates 100% Pure, a bath & beauty retail store located in Terminal 3 West ("Purity Cosmetics Lease"). The Purity Cosmetics Lease expires on December 31, 2019.

As part of the Airport's ongoing facilities improvement efforts, the next planned Terminal 3 renovation will include a new concessions program in Terminal 3 West ("T3 West") between Gates 72 and 75, replacing the stores and restaurants that are currently located on the departures level. It is anticipated that base building work will commence in these locations sometime before the end of 2020. In order to maintain retail options in the affected area and accommodate passengers during the construction period prior to the opening of T3 West, Staff recommends extending the term for both the Air Sun Lease and the Purity Cosmetics Lease to no later than December 31, 2020, 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 tenant.

THIS PRINT COVERS CALENDAR ITEM NO. 9

**Background**

On July 7, 2009, by Resolution No. 09-0176, the Commission awarded the Terminal 3 Concourse Specialty Store Lease to Air Sun for the operation of a Sunglass Hut. The Air Sun Lease had an original operating term of seven years that expired on March 5, 2017. On December 6, 2016, by Resolution No. 16-0325, the Commission exercised the one 2-year option. The option term expires on March 5, 2019. Any changes to the Air Sun Lease require Board of Supervisors' approval. Leases are subject to the approval of the Board of Supervisors when their term is 10 years or longer or the total guaranteed rent during the term will exceed \$1,000,000.00. The Air Sun Lease has a term of 7 years plus one two-year option and its initial Minimum Annual Guarantee was \$150,000.00 (\$1,050,000.00 for the 7-year term).

On April 17, 2012, by Resolution No. 12-0088, the Commission awarded the Terminal 3 Bath & Beauty Store Lease to Purity Cosmetics for the operation of 100% Pure. The Purity Cosmetics Lease has an original operating term of seven years expiring on December 31, 2019.

Staff recommends extending the term of each of the Leases through December 31, 2020 in the interest of aligning with the schedule for the T3 West renovation project. Additionally, it is ideal to keep passenger service at the level it is for the time being so as to continue to provide passengers with options in retail and maintain revenue. This Commission formerly extended the terms of four food and beverage and retail tenants, Gordon Biersch, InMotion Entertainment, Peet's Coffee & Tea and Yankee Pier, in T3 West for the same purpose. Purity Cosmetics and Sunglass Hut are lagging because they had later expiration dates.

Amendment No. 1 for the Air Sun Lease and the Purity Cosmetics Lease includes the following terms and conditions:

**Lease Amendment No. 1 Proposal**

- Term:
  - The termination dates will occur no later than December 31, 2020 to coincide with the completion of T3 West. Airport Director may terminate earlier by providing six months' advance written notice.
- Premises:
  - Air Sun will continue to operate a Sunglass Hut at Space No. T3.2.060D in Terminal 3 Boarding Area F with approximately 320 square feet.
  - Purity Cosmetics will continue to operate a 100% Pure at Space No. T3.2.067 in Terminal 3 Boarding Area F with approximately 573 square feet.
- Rent:
  - Minimum Annual Guarantee ("MAG") will be the current MAG under each Lease and subject to annual adjustments. Monthly rent payments will be the greater of the MAG or percentage rent as originally structured in the lease:
    - 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

**Recommendation**

I recommend the Commission adopt the accompanying resolutions approving Lease Amendments No. 1 to the Terminal 3 Concourse Specialty Store Lease No. 09-0176 with Air Sun JV and the Terminal 3 Bath & Beauty Store Lease No. 12-0088 with Purity Cosmetics, extending the term of each Lease through December 31, 2020, with a condition that the Airport Director may terminate earlier by providing six months' advance written notice.

I further recommend the Commission Secretary forward Amendment No. 1 to the Terminal 3 Concourse Specialty Store Lease No. 09-0176 with Air Sun to the Board of Supervisors for approval.



Ivar C. Satero  
Airport Director

Prepared by: Leo Fermin  
Chief Business and Finance Officer

Attachments

# ATTACHMENT 1

