



MEMORANDUM

November 20, 2018

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: Award of the Two Boarding Area C Retail Concession Leases

DIRECTOR’S RECOMMENDATION: (1) AWARD THE BOARDING AREA C RETAIL CONCESSION LEASE NO. 1 TO HG SFO RETAILERS 2017 JV AND DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASE FROM THE BOARD OF SUPERVISORS; AND (2) AWARD THE BOARDING AREA C RETAIL CONCESSION LEASE NO. 2 TO THE MARSHALL RETAIL GROUP, LLC AND DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASE FROM THE BOARD OF SUPERVISORS.

Executive Summary

The competitive proposal evaluation process for the Boarding Area C Retail Concession Leases (“Leases”) has concluded and award is recommended to the following operators: HG SFO Retailers 2017 JV (Lease No. 1 – Retail Marketplace) and The Marshall Retail Group, LLC (Lease No. 2 – Newsstand).

Background

On June 5, 2018, the Airport Commission (“Commission”) adopted Resolution No. 18-0165, authorizing Staff to commence the competitive selection process for the Leases, through a Request for Proposals (“RFP”) process. The RFP is for two separate retail Leases located in Terminal 1 Boarding Area C. The term for each Lease is seven years with two (2) one-year options to extend, exercisable at the discretion of the Commission.

Staff conducted an informational meeting wherein the Leases were presented to the interested parties. Staff gathered feedback from potential proposers. There were no substantive comments or recommendations offered by the interested parties so no changes were made to the minimum qualification requirements or lease specifications.

THIS PRINT COVERS CALENDAR ITEM NO. 2

On September 4, 2018, the Commission adopted Resolution No. 18-0286 approving the minimum qualification requirements and lease specifications, and authorized Staff to accept proposals. In response to the RFP, the Airport received 10 proposals by the October 10, 2018 Submittal Deadline. Staff determined that all 10 proposals met the RFP's minimum qualifications, and convened a three-member evaluation panel to review and score the proposals. The panel consisted of the following: a Senior Business Manager at Seattle-Tacoma International Airport, a Business Relationship Manager at Los Angeles World Airports, and an SFO Duty Manager. The evaluation panel's selections for the highest-ranking, responsive, and responsible proposers are identified below, along with all other qualifying proposers for each Lease. The Minimum Annual Guarantee ("MAG") for the first lease year and percentage rent structure are also identified, with base rent being the greater of the MAG or percentage rent.

Lease No. 1 – Retail Marketplace

MAG - \$1,800,000.00. Percentage Rent – 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.

PROPOSER	CONCEPT	SCORE
<u>Highest Ranking:</u> HG SFO Retailers 2017 JV	49 Mile Market	90.33
The Marshall Retail Group, LLC	Replenish	88.00
Pacific Gateway Concessions, LLC	SF Made Market	85.45
NewsLink of SF, LLC	SF Provisions	79.73
Paradies Lagardere @ SFO 2018, LLC	Lillie's Market	69.72

Lease No. 2 – Newsstand

MAG - \$600,000.00. Percentage Rent – 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.

PROPOSER	CONCEPT	SCORE
<u>Highest Ranking:</u> The Marshall Retail Group, LLC	The Scoop	81.13
HG SFO Retailers 2017 JV	San Francisco Chronicle	79.67
NewsLink of SF, LLC	Newslink	78.80
Paradies Lagardere @ SFO 2018, LLC	The Goods	75.95
Pacific Gateway Concessions, LLC	HubSF by Where Traveler	73.46

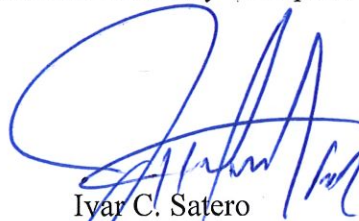
HG SFO Retailers 2017 JV will operate one other newsstand, in the International Terminal, opening in December 2018. They have partnered with Stewart Manhattan Investments, Inc. and RDJ Enterprises, LLC for this Lease, who are both Airport Concessions Disadvantaged Business

Enterprise (“ACDBE”) certified partners. The majority owner of HG SFO Retailers 2017 JV, however, will have six leases after the award of this Lease No. 1 – Retail Marketplace.

This will be Marshall Retail Group, LLC’s third lease with the Airport. They currently operate District Market in the hub of Boarding Area F and will operate a newsstand in the new Terminal 1, Boarding Area B, opening in February 2020. For this Lease, they have partnered with Marilla Chocolate Company and Travel Well, both of whom are locally based ACDBE certified partners.

Recommendation

I recommend that the Commission (1) award the Boarding Area C Retail Lease No. 1 to HG SFO Retailers 2017 JV and direct the Commission Secretary to request approval of the Lease from the Board of Supervisors; and (2) award the Boarding Area C Retail Lease No. 2 to the Marshall Retail Group, LLC and direct the Commission Secretary to request approval of the Lease from the Board of Supervisors.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments

Attachment 1

BOARDING AREA C RETAIL CONCESSION LEASES

