

1 [Airport Concession Support Program Lease]

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3 **Resolution approving, retroactive to September 11, 2001, the Airport Concession Support**
4 **Program between Action Cellular-Cellular Phone Rental Service Lease; Andale SFO -**
5 **New International Terminal Food and Beverage Lease; Bank of America - Domestic**
6 **Banking Services Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza -**
7 **New International Terminal Food and Beverage Lease; Books, Inc. - North Terminal**
8 **Bookstore Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area “F”**
9 **Cosmetic and Toiletries Lease; CalStar Retail, Inc. - Boarding Area “F” Newsstand**
10 **Lease and North Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport**
11 **Advertising Program Lease and SFO Cyber Room Technology Showcase Lease; D.**
12 **Mitchell Concessions dba Harry Denton’s - New International Terminal Food and**
13 **Beverage Lease; D-Lew Enterprises dba Il Fornaio - New International Terminal Food**
14 **and Beverage Lease; Deli-Up Enterprises, LLC - New International Terminal Food and**
15 **Beverage Lease; Discovery Channel Stores - New International Terminal Nature Theme**
16 **Store Lease; Ebisu, Inc. - New International Terminal Food and Beverage Lease;**
17 **Emporio Rulli - New International Terminal Food and Beverage Lease; Fung Lum**
18 **Express, LLC - New International Terminal Food and Beverage Lease; Gotham Foods**
19 **Two, LLC dba Firewood Café - New International Terminal Food and Beverage Lease;**
20 **Harbor Airport, LLC dba Harbor Village - New International Terminal Food and Beverage**
21 **Lease; Host International, Inc. - North Terminal Concession Opportunity Lease,**
22 **Boarding Areas “B” and “C” Bookstores Lease, New International Terminal Aviation**
23 **Store Lease, and North Terminal Hub Principal Retail Concession Lease; Lori’s Diner**
24 **International - New International Terminal Food and Beverage Lease; Nidal Nazzal dba**
25 **Burger Joint - New International Terminal Food and Beverage Lease; North Terminal**

1 Shines - Shoeshine Service Lease; OSI-MB-Boarding Area "F" Executive Writing
2 Instruments Lease; Pacific Gateway Concessions, LLC - Boarding Areas "B" and "C"
3 Principal Retail Concession Lease; Pacific Golf Partners, LLC - New International
4 Terminal Golf Shop Lease; Polk-Townsend and Associates dba Café Metro - New
5 International Terminal Food and Beverage Lease; Rosedale-Wilsons dba Wilsons
6 Leather - North Terminal Concourse Fine Leather Goods Lease; San Francisco Museum
7 of Modern Art - New International Terminal Museum Store Lease; See's Candies, Inc. -
8 North Terminal Candy Store Lease (upon execution of the Lease); SFO Hairport - New
9 International Terminal Hair Salon Lease; Smarte Carte - Public Lockers and
10 Over-the-Counter Baggage Lease; Tomokazu Japanese Cuisine (SFO), Inc. - New
11 International Terminal Food and Beverage Lease; Travelex America, Inc. - ATM Lease A
12 in the New International Terminal, ATM Lease B in the New International Terminal, and
13 Foreign Currency Lease; U-Threads - Boarding Area "F" Collegiate Apparel Lease; WH
14 Smith Hotel Services - New International Terminal Bookstore/Café Lease; and Yoko, Inc.
15 dba Osho Japanese Cuisine - New International Terminal Food and Beverage Lease;
16 Duty Free Shop - New International Terminal Duty Free Shop Lease and the City and
17 County of San Francisco, Acting by and through its Airport Commission.

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19 WHEREAS, The events of September 11, ~~2002~~ 2001, in conjunction with the softening
20 dot.com bust economy, have together drastically affected Airport tenants' revenues; and

21 WHEREAS, The Airport's retail, food and beverage, and passenger services tenants
22 have since represented that they cannot meet the demands of the lease(s) with respect to the
23 Minimum Annual Guarantees (MAGs); and

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1 WHEREAS, In response, the Airport Commission approved Resolution No. 02-0039,
2 approved the Airport Concession Support Program, which is a comprehensive long-term plan to
3 provide support to the Airport’s tenants; now, therefore, be it

4 RESOLVED, That the Board of Supervisors hereby approves, retroactive to September
5 11, 2001, the Airport Concession Support Program, as follows:

6 **1. MAG Suspensions/Reinstatements**

- 7 • Suspends the Minimum Annual Guarantees (“MAGs”) of Action Cellular
8 -Cellular Phone Rental Service Lease; Books, Inc. - North Terminal Bookstore
9 Lease; CalStar Retail, Inc. - Boarding Area “F” Newsstand Lease and North
10 Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport
11 Advertising Program Lease and SFO Cyber Room Technology Showcase
12 Lease; Discovery Channel - New International Terminal Nature Theme Store
13 Lease; Host International, Inc. - North Terminal Concession Opportunity
14 Lease, Boarding Areas “B” and “C” Bookstores Lease, New International
15 Terminal Aviation Store Lease, and North Terminal Hub Principal Retail
16 Concession Lease; North Terminal Shines - Shoeshine Service Lease;
17 OSI-MB-Boarding Area “F” Executive Writing Instruments Lease; Pacific
18 Gateway Concessions - Boarding Areas “B” and “C” Principal Retail
19 Concession Lease; Pacific Golf Partners, LLC - New International Terminal
20 Golf Shop Lease; San Francisco Museum of Modern Art - New International
21 Terminal Museum Store Lease; See’s Candies, Inc. - North Terminal Candy
22 Store Lease (upon execution of the Lease); SFO Hairport - New International
23 Hair Salon Lease; Smarte Carte - Public Lockers and Over-the-Counter
24 Baggage Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area
25 “F” Cosmetic and Toiletries Lease; Travelex - ATM Lease in the New

1 International Terminal, ATM Lease B in the New International Terminal, and
2 Foreign Currency Lease; U-Threads - Boarding Area "F" Collegiate Apparel
3 Lease; WH Smith Hotel Services - New International Terminal Bookstore/Café
4 Lease; and Rosedale-Wilsons dba Wilsons Leather - North Terminal
5 Concourse Fine Leather Goods Lease; and requires such tenants to pay the
6 percentage rent specified in their respective leases, except as otherwise
7 provided below.

- 8 • Reinstates the MAGs once monthly enplanements equal or exceed 85% of the
9 enplanements for the same month in year 2000 for two (2) consecutive
10 months. Each enplanement comparison would be done by the "Relevant
11 Boarding Area". MAGs would not be suspended thereafter. However, in no
12 event will MAG reinstatement occur before April 1, 2002.
- 13 • In the event a tenant delays or refuses to execute an appropriate lease
14 amendment reflecting these amended terms and conditions, the MAG of such
15 tenant shall be reinstated immediately upon written notice from the Airport
16 Director.

17 **2. Lease Term Extensions**

18 Grants to the following tenants an option permitting them to extend the terms of their
19 respective leases for one 5-year period due to the significant build-out costs incurred:
20 Action Cellular - Cellular Phone Rental Service Lease; Andale SFO - New International
21 Terminal Food and Beverage Lease; Bank of America - Domestic Banking Services
22 Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza - New International
23 Terminal Food and Beverage Lease; Books, Inc. - North Terminal Bookstore Lease;
24 Buth-na-Bodhaige, Inc. dba The Body Shop - Boarding Area "F" Cosmetic and Toiletries
25 Lease; Polk-Townsend and Associates dba Café Metro - New International Terminal

1 Food and Beverage Lease; CalStar Retail, Inc. - Boarding Area "F" Newsstand Lease
2 and North Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport
3 Advertising Program Lease and SFO Cyber Room Technology Showcase Lease; D.
4 Mitchell Enterprises dba Harry Denton's - New International Terminal Food and
5 Beverage Lease; D-Lew Enterprises dba Il Fornaio - New International Terminal Food
6 and Beverage Lease; Deli-Up Enterprises, LLC - New International Terminal Food and
7 Beverage Lease; Discovery Channel Stores - New International Terminal Nature Theme
8 Store Lease; Ebisu - New International Terminal Food and Beverage Lease; Emporio
9 Rulli - New International Terminal Food and Beverage Lease; Fung Lum Express, LLC -
10 New International Terminal Food and Beverage Lease; Harbor Airport, LLC dba Harbor
11 Village - New International Terminal Food and Beverage Lease; Gotham Foods Two
12 LLC dba Firewood Café - New International Terminal Food and Beverage Lease; Host
13 International, Inc. - North Terminal Concession Opportunity Lease, Boarding Areas "B"
14 and "C" Bookstores Lease, New International Terminal Aviation Store Lease, and North
15 Terminal Hub Principal Retail Concession Lease; Lori's Diner International - New
16 International Terminal Food and Beverage Lease; Nidal Nazzal dba Burger Joint - New
17 International Terminal Food and Beverage Lease; North Terminal Shines - Shoeshine
18 Service Lease; OSI-MB - Boarding Area "F" Executive Writing Instruments Lease;
19 Pacific Gateway Concessions, LLC - Boarding Areas "B" and "C" Principal Retail
20 Concession; Pacific Golf Partners, LLC - New International Terminal Golf Shop Lease;
21 Rosedale-Wilsons dba Wilsons Leather - North Terminal Concourse Fine Leather Goods
22 Lease; San Francisco Museum of Modern Art - New International Terminal Museum
23 Store Lease; See's Candies, Inc. - North Terminal Candy Store Lease (upon execution
24 of the Lease); SFO Hairport - New International Terminal Hair Salon; Tomokazu
25 Japanese Cuisine (SFO), Inc. - New International Terminal Food and Beverage Lease;

1 Travelex America - ATM Lease in the New International Terminal, ATM Lease B in the
2 New International Terminal, and Foreign Currency Lease; U-Threads - Boarding Area
3 "F" Collegiate Apparel Lease; WH Smith Hotel Services - New International Terminal
4 Bookstore/Café Lease; and Yoko, Inc. dba Osho Japanese Cuisine - New International
5 Terminal Food and Beverage Lease.

6 Such option would be exercisable by the tenant on or before the date that is one year
7 before the current lease expiration date. In the event the tenant exercises such option,
8 then the lease rent payable by the tenant during the option term shall be adjusted to
9 equal market rent, as determined by the Airport Director. In no event will be the rent
10 payable in the Option Term be less than the rent payable by the Tenant in the last year of
11 the base term of the Lease. Following such determination, if the tenant is unwilling to
12 pay such market rent, the tenant shall be entitled to withdraw its exercise of the option.

13 **3. DFS Post-Security Master Retail Duty Free/Duty Paid Lease**

14 Specifies the following terms and conditions for DFS, by Airport Commission Resolution
15 No. 02-0072, adopted April 2, 2002, under the Concession Support Program:

- 16 • Suspend DFS' MAG applicable to duty free goods until December 31, 2002 and
17 require DFS to pay percentage rent of 30% on duty free goods, except as
18 otherwise provided below. For purposes of the Program, the MAG applicable to
19 duty free goods is equal to ninety percent (90%) of the MAG specified in the Post
20 Security Master Retail Lease ("Duty Free MAG").
- 21 • Reinstate DFS' duty free MAG if monthly gross revenues of duty free goods equal
22 or exceed five million dollars (\$5,000,000) per month for two (2) consecutive
23 months. For example, if the gross revenues generated by the sale of duty free
24 goods for the months of April 2002 and May 2002, respectively, equal or exceed
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1 \$5,000,000, DFS' Duty Free MAG would be reinstated effective May 1, 2002.

2 DFS' Duty Free MAG would not be adjusted or suspended thereafter.

- 3 • Suspend DFS' Minimum Annual Guarantee applicable to duty paid goods and
4 require DFS to pay the percentage rent specified in the lease on duty paid goods.
5 For purposes of the Program, the MAG applicable to duty paid goods equals ten
6 percent (10%) of the MAG specified in the Post Security Master Retail Lease
7 ("Duty Paid MAG").
- 8 • Reinstated DFS' Duty Paid MAG for duty paid goods once monthly enplanements
9 equal or exceed 85% of the enplanements for the same month in year 2000 for
10 two (2) consecutive months. Such comparison would be done by comparing the
11 combined enplanements for International Terminal Boarding Area A and
12 International Terminal Boarding Area G (the "Relevant Boarding Area"). The Duty
13 Paid MAG would not be adjusted or suspended thereafter.
- 14 • DFS will be required to submit the customary sales reports and the Airport will
15 have appropriate audit rights.
- 16 • Grant DFS an option to extend the term of its lease for one five-year period. Such
17 option would be exercisable on or before the date that is one year before the
18 current lease expiration date.

19 **4. Travelex Percentage Rent Structure**

20 Travelex America holds three leases at the Airport: two for Automated Teller Machines
21 in the New International Terminal, and the lease for Foreign Currency Exchange
22 Services.

23 International Terminal ATM Lease "A" and B"

1 The rent paid by Travelex for the ATM leases is the sum of: (a) the MAG, plus b)
2 33% of Transaction Surcharges (“Percentage Rent), plus c) \$0.10 per customer
3 use (“Transaction Rent”).

4 Given the unique rent structure of the Travelex ATM leases, the Airport
5 Commission authorized, in Resolution No. 02-0039, the following percentage rent
6 structure for the Travelex ATM leases during the MAG suspension period:

- 7 • 35% of the fees for 0 to 32,000 surchargeable transactions, plus
- 8 • 50% of the fees for 32,000 to 50,000 surchargeable transactions, plus
- 9 • 60% of the fees for 50,000+ surchargeable transactions.

10 Each Travelex ATM Lease MAG shall be reinstated in accordance with Section 1
11 above. Upon reinstatement of its ATM MAGs, Travelex shall, in accordance with
12 its leases, pay the sum of a) the MAG, plus b) 33% of Transaction Surcharges,
13 plus c) \$0.10 per customer use.

14 Additionally, Travelex was granted an option to extend the term of the ATM
15 Leases for one five-year period. Such option would be exercisable on or before
16 the date that is one year before the current lease expiration dates.

17 Foreign Currency Exchange Lease

18 The Travelex Foreign Currency Exchange Lease does not include a percentage
19 rent structure. Rather the Lease specifies that Travelex shall pay the greater of
20 the MAG or \$0.88 per enplaned international passenger. In Resolution No.
21 02-0039, the Airport Commission authorized a percentage rent structure for
22 Travelex’s Foreign Currency Exchange Lease as follows:

- 23 4.25% of \$0 to \$50,000,000 in currency transactions, plus
- 24 5% of \$50,000,000.01 to \$60,000,000 in currency transactions, plus
- 25 5.25% over \$60,000,000 in currency transactions.

1 Subsequently, staff engaged in further discussions with Travelex regarding the
2 Foreign Currency Exchange Lease and, by Resolution No. 02-0072, the Airport
3 Commission approved the following rent structure for Travelex's Foreign
4 Currency Exchange Lease during the MAG Suspension period:

- 5 • Suspend Travelex's MAG for Foreign Currency Exchange until December
6 31, 2002, and require Travelex to pay the Passenger-Based Fee of
7 eighty-eight cents (\$0.88) per Enplanement as specified in the lease.
- 8 • Travelex will be required to submit the customary sales reports and the
9 Airport will have appropriate audit rights.
- 10 • Reinstate Travelex's MAG for Foreign Currency Exchange effective
11 January 1, 2003. The MAG would not be adjusted or suspended
12 thereafter.
- 13 • In the event Travelex shall default, the Airport Director may immediately
14 reinstate the MAG without the benefit of any notice or right to cure as may
15 otherwise be provided under its lease.

16 Travelex was also granted an option to extend the term of the Foreign Currency
17 Exchange Lease for one five-year period. Such option would be exercisable on or
18 before the date that is one year before the current lease expiration date.

19 **5. Adjust Percentage Rent Structure for Certain Post-Security Food/Beverage**
20 **Operators**

21 The following post-security restaurants are focused on the sale of food (restaurant
22 classification) and not the sale of liquor (bar classification): Andale SFO, D. Mitchell
23 Concessions dba Harry Denton's, and Gotham Foods Two LLC dba Firewood Café.
24 Thus, in Resolution No. 02-0039, the Airport Commission adjusted the percentage rent
25 structures for these leases to be in line with other food-dominated restaurants as follows:

1 6% of Gross Revenues achieved up to and including \$1,000,000; plus
2 8% of Gross Revenues achieved over \$1,000,000 up to and including
3 \$1,500,000; plus
4 10% of Gross Revenues achieved over \$1,500,000.

5 The MAG amounts for these leases will not change.

6 **6. Clear Channel Outdoor dba Clear Channel Airports (formerly known as**
7 **Transportation Media, Inc.) (“Clear Channel”) – Airport Advertising**
8 **Program Lease**

9 Clear Channel Airport’s Advertising Program Lease was included in the Concession
10 Support Program. Subsequently, staff engaged in further discussions with Clear
11 Channel Airport, which resulted in the following:

- 12 • Resolution No. 02-0062, adopted by the Commission on March 5, 2002 approved
13 additional locations in the baggage claim level of the Terminal Buildings and the
14 sterile corridors of International Terminal’s arrivals level. This same resolution
15 also reinstated the MAG for the Airport Advertising Program Lease effective April
16 1, 2002.
- 17 • Resolution No. 02-0071, adopted April 2, 2002, approved the amended MAG
18 Increase Schedule as follows:

19 Lease Year 2	\$4,100,000
20 Lease Year 3	\$4,200,000
21 Lease Year 4	\$4,300,000
22 Lease Year 5	\$4,800,000

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- 1 • Resolution No. 02-0071 also allowed for the MAG adjustment calculations be
2 based on the greater of 85% of the previous year's rent paid or the above MAG
3 Increase Schedule, instead of the Consumer Price Index adjustment.

4 Clear Channel was also granted an option to extend the term of the Airport Advertising
5 Program Lease for one five-year period. Such option would be exercisable on or before
6 the date that is one year before the current lease expiration date; and, be it

7 FURTHER RESOLVED, That the Airport Director shall take all steps necessary to
8 implement such program, including the execution of appropriate lease amendments; and, be it

9 FURTHER RESOLVED, That the Airport Director is requested to submit a written report
10 to the Board on or about April 1, 2003, detailing the status of passenger traffic levels and its
11 impact on the subject leases.