

1 [Lease Amendment - Early Termination and Buyout - Baysubway Airport (Subway) - Not to
2 Exceed \$1,200,000]

3 **Resolution approving an early termination and buyout of Baysubway Airport's**
4 **(Subway) Domestic Terminal Food and Beverage Program Lease No. 03-0185 in an**
5 **amount not-to-exceed \$1,200,00, between Subway and the City and County of San**
6 **Francisco, acting by and through its Airport Commission, to commence following**
7 **Board approval.**

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9 WHEREAS, On September 9, 2014, by Resolution No. 14-0177, the Board of
10 Supervisors approved Lease No. 03-0185 with Subway for two food and beverage facilities
11 located in Terminal 3 of the San Francisco International Airport; and

12 WHEREAS, One facility is located pre-security on the mezzanine level and is currently
13 open; and

14 WHEREAS, The other facility was located post-security, Boarding Area E, and
15 permanently closed on February 1, 2013, to accommodate the Airport's renovation of
16 Boarding Area E; and

17 WHEREAS, On March 30, 2012, by Resolution No. 12-0054, the Airport Commission
18 approved Amendment No. 2 to Subway's Lease to accommodate the renovation of Boarding
19 Area E; and

20 WHEREAS, By Amendment No. 2, Subway was offered and accepted Replacement
21 Premises in the renovated Boarding Area E; and

22 WHEREAS, Amendment No. 2 also added a new term of ten (10) years from the date
23 the Replacement Premises in Boarding Area E opened for business, however, due to United
24 Airlines' desire to build a United Club in Boarding Area E, the Airport was not able to deliver
25 the Replacement Premises; and

1 WHEREAS, Airport staff and Subway were unsuccessful finding a viable, comparable
2 location in other parts of the Airport for the Replacement Premises; and

3 WHEREAS, Airport staff and Subway agree that an early termination of the lease is
4 necessary; and

5 WHEREAS, Airport staff consulted with an independent airport business consultant to
6 calculate the present value of the 10-year lease based on sales projected with modest
7 enplanement growth, and earnings based on Subway's historical profit and loss data; and

8 WHEREAS, Subway has agreed to \$1,200,000 as a fair and reasonable amount for the
9 Airport to buyout the remainder of the Lease term, less any outstanding amount owed by
10 Subway to the Airport, upon termination of the Lease; and

11 WHEREAS, Subway's Terminal 3 mezzanine location will permanently close upon
12 approval of the early termination; and

13 WHEREAS, Subway also waives any further claims associated with this Lease as a
14 condition of an early termination and buyout of this Lease; now, therefore, be it

15 RESOLVED, That this Board of Supervisors approves an Early Termination and
16 Buyout of Baysubway Airport's Domestic Terminal Food and Beverage Program Lease No.
17 03-0185, and, be it;

18 FURTHER RESOLVED, That the Lease Agreement, Lease Amendments and the
19 Letter of Intent governing the early termination and buyout is on file with the Clerk of the
20 Board of Supervisors in File Number 141078, which is hereby declared to be a part of this
21 resolution as if set forth fully herein.

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