

1 [Lease Amendment - DFS Group, L.P. - The International Terminal Duty Free and Luxury
2 Lease - Temporarily Reducing Percentage Rent and Minimum Annual Guarantee Rent for
3 2026 through 2029]

4 **Resolution approving Amendment No. 6 to the International Terminal Duty Free and**
5 **Luxury Store Lease No. 17-0303 between DFS Group, L.P. and the City and County of**
6 **San Francisco, acting by and through its Airport Commission, temporarily reducing**
7 **Percentage Rent to 28% of Gross Revenues up to \$100,000,000 and 32% for Gross**
8 **Revenues above \$100,000,000 for Lease Years 7, 8, 9, and 10 (Lease Years 2026**
9 **through 2029), and a temporary reduction in the Minimum Annual Guarantee (MAG)**
10 **for the same period by establishing the MAG at \$25,000,000 for 2026 (Lease Year 7),**
11 **with annual adjustments as provided in the Lease, effective upon approval by the**
12 **Board of Supervisors.**

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14 WHEREAS, On December 5, 2017, by Resolution No. 17-0303, the Airport
15 Commission (Commission) awarded the International Terminal Duty Free and Luxury Lease
16 (Lease) to DFS Group, L.P. (Tenant); and

17 WHEREAS, On March 20, 2018, by Resolution No. 66-18, the Board of Supervisors
18 approved the Lease, a copy of which is on file with the Clerk of the Board in File No. 180079;
19 and

20 WHEREAS, On March 17, 2020, by Resolution No. 20-0051, the Commission
21 approved Amendment No. 1 to the Lease establishing the Base Rent as 33% of gross
22 revenues for Lease Year 1 which ended December 31, 2020; and

23 WHEREAS, On July 3, 2020, by Resolution No. 280-20, the Board of Supervisors
24 approved Amendment No. 1, a copy of which is on file with the Clerk of the Board in File
25 No. 200542; and

1 WHEREAS, On December 1, 2020, by Resolution No. 20-0222, the Commission
2 approved Amendment No. 2 to the Lease which continued the Percentage Rent structure of
3 33% of gross revenues due to the prolonged recovery from the COVID-19 pandemic; and

4 WHEREAS, On February 2, 2021, by Resolution No. 35-21, the Board of Supervisors
5 approved Amendment No. 2, a copy of which is on file with the Clerk of the Board in File No.
6 201348; and

7 WHEREAS, On October 6, 2020, by Resolution No. 20-0180, the Commission
8 approved Amendment No. 3 to the Lease when it adopted the COVID-19 Emergency Rent
9 Relief Program which provided MAG rent relief to most Airport concession tenants for April
10 and May 2020; and

11 WHEREAS, On January 5, 2021, by Ordinance No. 5-21, the Board of Supervisors
12 approved Amendment No. 3, a copy of which is on file with the Clerk of the Board in File No.
13 201278; and

14 WHEREAS, On October 17, 2023, by Resolution No. 23-0256, the Commission
15 approved Amendment No. 4 to the Lease, providing for the temporary reduction in Percentage
16 Rent and the MAG for Lease Year 5 (calendar year 2024), Lease Year 6 (calendar year 2025)
17 and Lease Year 7 (calendar year 2026), contingent upon Tenant's construction of a new
18 facility in Harvey Milk Terminal 1 by December 31, 2024 and a facility in Terminal 2 by March
19 31, 2025, both of which requirements were met; and

20 WHEREAS, On April 16, 2024, by Resolution No. 180-24, the Board of Supervisors
21 approved Amendment No. 4, a copy of which is on file with the Clerk of the Board in File No.
22 231153; and

23 WHEREAS, On May 21, 2024, by Resolution No. 24-0110, the Commission approved
24 Amendment No. 5 to the Lease which provided for a Percentage Rent of 33% for the entirety
25 of calendar year 2023, notwithstanding any reinstatement of MAG; and

1 WHEREAS, on August 1, 2024, by Resolution No. 418-24, the Board of Supervisors
2 approved Amendment No. 5, a copy of which is on file with the Clerk of the Board in File No.
3 231153; and

4 WHEREAS, Duty free sales have still not recovered primarily due to the changing
5 demographics of the international passenger; prior to the pandemic, Chinese passengers
6 were 15% of total international passengers, yet accounted for nearly 50% of all duty-free sales
7 activity. In 2024, Chinese travelers represented less than 5% of total internal passenger
8 enplanements; and

9 WHEREAS, As a result, Tenant and its joint venture partners continue to suffer
10 financial losses each year despite the most recent rent reduction programs; and

11 WHEREAS, Duty-free stores are an important part of the concessions offer and a
12 significant revenue generator for the Airport, and preserving service by improving the financial
13 viability of the duty-free lease through further rent relief is in the best interests of the Airport;
14 and

15 WHEREAS, On August 19, 2025, by Resolution No. 25-0138, the Commission
16 approved Amendment No. 6 to the Lease which temporarily reduces Percentage Rent under
17 the Lease to 28% of Gross Revenues up to \$100,000,000 and 32% for Gross Revenues
18 above \$100,000,000, for Lease Years 7, 8, 9, and 10 (Lease Years 2026 through 2029), and
19 a temporary reduction in the MAG for the same period by establishing the MAG at
20 \$25,000,000 for 2026 (Lease Year 7), with annual adjustments as provided in the Lease. At
21 the commencement of Lease Year 11 (calendar year 2030), the original Base Rent Structure
22 (including the payment of the original MAG, as adjusted from Lease Year 1 (calendar year
23 2020) will be restored; now, therefore, be it

24 RESOLVED, That the Board of Supervisors approves Amendment No. 6 to the Lease,
25 a copy of which is on file with the Clerk of the Board of Supervisors in File No. _____; and,

1 be it

2 FURTHER RESOLVED, That within thirty (30) days of the amendment being fully
3 executed by all parties, the Airport Commission shall provide the final amendment to the Clerk
4 of the Board for inclusion into the official file.

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