

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 18-0231

AWARD THE TERMINAL 3 BOARDING AREA E AND INTERNATIONAL TERMINAL BOARDING AREA G WELLNESS CONCESSION LEASE TO SPA BR SFO, LLC DBA BE RELAX

WHEREAS, on March 6, 2018, by Resolution No. 18-0055, the Airport Commission authorized Staff to commence the Request for Proposals process for the Terminal 3 Boarding Area E Retail Specialty Store, the Terminal 3 Boarding Area E Candy Kiosk, and the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Leases (collectively "the Leases"); and

WHEREAS, on May 15, 2018, by Resolution No. 18-0147, the Commission approved the revised minimum qualification requirements and authorized Staff to accept proposals; and

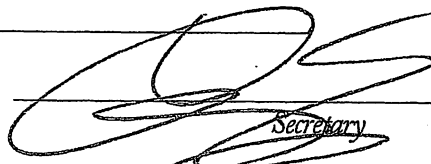
WHEREAS, on June 20, 2018, Staff received eight proposals for the Leases; and

WHEREAS, a three-member panel evaluated the proposals and determined Spa BR SFO, LLC dba Be Relax to be highest-ranking, responsive, and responsible proposer for the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease; now, therefore, be it

RESOLVED, that this Commission hereby awards the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease to Spa BR SFO, LLC dba Be Relax on the terms set forth in the Staff memorandum on file with the Commission Secretary, which include, but are not limited to, a lease term of ten years and a Minimum Annual Guarantee of \$250,000.00 for the first year of the lease term; and, be it further

RESOLVED, that this Commission hereby directs the Commission Secretary to forward the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease to the Board of Supervisors for approval pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of* AUG 07 2018


Secretary



San Francisco International Airport

MEMORANDUM

August 7, 2018

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

FROM: Airport Director

SUBJECT: Award of the Terminal 3 Boarding Area E Retail Specialty Store Lease to AirSun JV dba Sunglass Hut, the Terminal 3 Boarding Area E Candy Kiosk Lease to Canonica New York, LLC, and the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease to Spa BR SFO, LLC dba Be Relax

DIRECTOR'S RECOMMENDATION: (1) AWARD THE TERMINAL 3 BOARDING AREA E RETAIL SPECIALTY STORE TO AIRSUN JV DBA SUNGLASS HUT, THE TERMINAL 3 BOARDING AREA E CANDY KIOSK TO CANONICA NEW YORK, LLC, AND THE TERMINAL 3 BOARDING AREA E AND INTERNATIONAL TERMINAL BOARDING AREA G WELLNESS CONCESSION LEASES TO SPA BR SFO, LLC DBA BE RELAX, AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The competitive selection process for three Retail Concession Leases in Terminal 3 and the International Terminal has concluded and award is recommended to the following operators: AirSun JV dba Sunglass Hut (Terminal 3 Boarding Area E Retail Specialty Store), Canonica New York, LLC (Terminal 3 Boarding Area E Candy Kiosk), and Spa BR SFO, LLC dba Be Relax (Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Lease).

Background

On March 6, 2018, the Airport Commission ("Commission") adopted Resolution No. 18-0055 authorizing Staff to commence the Request for Proposals ("RFP") process for the Terminal 3 Boarding Area E Retail Specialty Store, the Terminal 3 Boarding Area E Candy Kiosk, and the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Leases (collectively the "Leases"). Staff presented the Leases to interested parties and gathered their feedback at an informational conference on April 4, 2018.

THIS PRINT COVERS CALENDAR ITEM NO. 4

On May 15, 2018, by Resolution No. 18-0147, the Commission approved the revised minimum qualification requirements and authorized Staff to accept proposals for the Leases. In response to the RFP, the Airport received eight proposals by the June 20, 2018 submittal deadline. Staff determined that all proposals met the RFP's minimum qualifications.

Staff convened a three-member panel to evaluate the proposals. The panel consisted of the following: an SFO Aviation Security Supervisor, a manager in SFO's Capital Finance Department, and a Senior Property Manager at Mineta San Jose International Airport. The evaluation panel's selections for 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. The term for the Specialty Store and Candy Kiosk Leases is seven years, and the term for the Wellness Lease is ten years.

Terminal 3 Boarding Area E Retail Specialty Store

MAG - \$60,000.00. 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 NAME	SCORE
<u>Highest Ranking:</u>		
AirSun JV dba Sunglass Hut	Sunglass Hut	90.33
RAHK, Inc.	NYS Collection Eyewear	89.67

Terminal 3 Boarding Area E Candy Kiosk

MAG - \$100,000.00 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 NAME	SCORE
<u>Highest Ranking:</u>		
Canonica New York, LLC	The Chocolate Market	87.67
Emporio Rulli	GR Chocolate Boutique	84.76
Socola Chocaltier, LLC	Socola Chocolates	76.50

Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession

MAG - \$250,000.00. 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 NAME	SCORE
<u>Highest Ranking:</u>		
Spa BR SFO, LLC dba Be Relax	Be Relax/Chiroport	89.33
XpresSpa S.F. International, LLC	XpresSpa	86.67
Minute Suites Travelers Oasis SFO, LLC	Minute Suites	81.67

AirSun JV dba Sunglass Hut ("Sunglass Hut") is the current operator of a Sunglass Hut store in Terminal 3 at SFO, as well as airport locations in Chicago, Miami, and Orlando to name a few. This Joint Venture Partnership includes an Airport Concession Disadvantaged Business Enterprise ("ACDBE") partner with 30% ownership.

Canonica New York, LLC ("Canonica") recently opened its first SFO store in the International Terminal and will begin construction on a second location in Terminal 2 in the fall of 2018. It also operates locations in Newark Liberty Airport, in addition to locations in Switzerland and the United Arab Emirates.

Spa BR SFO dba Be Relax ("Be Relax") operates 52 spa locations exclusively at airports in the U.S. and around the world, and this will be their first location at SFO. This Joint Venture Partnership includes an ACDBE partner with 12% ownership.

Upon request, debriefings will be held with proposers to assist them in understanding how the proposals were viewed by the evaluation panel.

Recommendation

I recommend that the Commission: (1) award the Terminal 3 Boarding Area E Retail Specialty Store to AirSun JV dba Sunglass Hut, the Terminal 3 Boarding Area E Candy Kiosk to Canonica New York, LLC, and the Terminal 3 Boarding Area E and International Terminal Boarding Area G Wellness Concession Leases to Spa BR SFO dba Be Relax, and (2) direct the Commission Secretary to request approval of the leases from the Board of Supervisors.


Ivar E. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments