



San Francisco International Airport

MEMORANDUM

July 10, 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 Nine Terminal 1 Food and Beverage Concession Leases

DIRECTOR'S RECOMMENDATION: (1) AWARD NINE TERMINAL 1 FOOD AND BEVERAGE CONCESSION LEASES, AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The proposal evaluation process for nine Terminal 1 Food and Beverage Concession Leases ("Leases") has concluded and Staff recommends award of the Leases to the following operators: Bun Mee, LLC (Lease 1 - Asian Quick Serve Restaurant); SSP America, Inc. (Lease 2 - Mexican, Latin or South American Quick Serve Restaurant); Amy's Kitchen Restaurant Operating Company, LLC (Lease 3 - American Quick Serve Restaurant); Paradies Lagardere @ SFO 2018 (F&B), LLC (Lease 4 - Sit-down Restaurant and Bar); Tastes On The Fly San Francisco, LLC (Lease 5 - Chicken Quick Serve Restaurant); Soaring Food Group, LLC (Lease 6 - Café); Lady Luck Gourmet, LLC (Lease 7 - Asian Quick Serve Restaurant); Host International, Inc. (Lease 8 - Café and Market); and SF Foodways, LLC (Lease 9 - Sit-down Restaurant and Bar).

Background

By Resolution No. 17-0304 adopted on December 5, 2017, the Airport Commission ("Commission") authorized Staff to commence the competitive selection process through a Request for Proposals ("RFP") for the Leases.

Staff issued the RFP and conducted an informational meeting wherein each of the Leases were presented to the interested parties. Staff gathered feedback from potential proposers and clarified or changed business terms where appropriate.

By Resolution No. 18-0078 adopted March 20, 2018, the Commission approved the revised lease specifications, and authorized Staff to accept proposals. In response to the RFP, the Airport received 62 proposals by the May 2, 2018 Submittal Deadline. Three of the proposals were rejected and not scored, two of which were for failure to meet the minimum qualifications, and one failed to submit the correct proposal bond amount.

THIS PRINT COVERS CALENDAR ITEM NO. 5

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

MARK FARRELL MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN IVAR C. SATERO AIRPORT DIRECTOR

Staff determined that the remaining proposals met the RFP's minimum qualifications. A four-member evaluation panel was convened to review and score the qualifying proposals. The panel consisted of the following: a former Director of Airport Concessions at Toronto Pearson International Airport, the Founder and Editor of VANE Airport Magazine, a Sr. Vice President at Backstrom McCarley Berry & Co., and a Project Manager for the 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. All Leases have a term of ten years, with one option to extend by two years, exercisable at the sole discretion of the Commission.

Lease 1 – Asian Quick Serve Restaurant

MAG - \$365,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|--|-----------------------------|-------|
| <u>Highest-Ranking:</u> | | |
| Bun Mee, LLC | Bun Mee | 90.50 |
| Paradies Lagardere @ SFO 2018 (F&B), LLC | Asian Box | 88.75 |
| Tastes on the Fly San Francisco, LLC | Out The Door | 88.25 |
| Sankaku, Inc. | Sa Su Ke, Sake Sushi House | 86.00 |
| Airside Delights SFO Inc. | Shunro | 85.75 |
| Lady Luck Gourmet, LLC | Goldilocks Filipino Cuisine | 84.50 |
| Teriyaki Madness - SFO Group | Teriyaki Madness | 74.75 |
| JDDA Concession Management, Inc. | Panda Express | 74.00 |
| Flagship LLC | Yum Roll | 69.00 |

Lease 2 – Mexican, Latin or South American Quick Serve Restaurant

MAG - \$365,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|----------------------------------|----------------------|-------|
| <u>Highest-Ranking:</u> | | |
| SSP America, Inc. | The Little Chihuahua | 89.50 |
| Andale Management Group, Inc. | Andale | 81.25 |
| JDDA Concession Management, Inc. | Qdoba | 76.50 |
| Nopa Ventures | Tortas Colibri | 74.75 |

Lease 3 – American Quick Serve Restaurant

MAG - \$475,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|---|---------------------------|-------|
| <u>Highest-Ranking:</u> | | |
| Amy's Kitchen Restaurant Operating Company, LLC | Amy's Drive Thru | 88.25 |
| Bay Area Hospitality Group 2 LLC | The Mission | 83.75 |
| Beecher's Airport Restaurants-CA1, LLC | Beecher's Handmade Cheese | 83.75 |
| Rylo Management, LLC | The Counter | 83.25 |
| S.F. Mac & Cheese Kitchen - SFO Group | S.F. Mac & Cheese Kitchen | 83.25 |
| The Veggie Grill, Inc. | Veggie Grill | 78.75 |
| Gate 74, Inc: | Burger King | 72.50 |
| M5 SFO | Jamba Juice & Wetzels | 68.75 |
| | Pretzels | |

Lease 4 – Sit-Down Restaurant and Bar

MAG - \$600,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$1,500,000.00, plus, 10% of Gross Revenues achieved from \$1,500,000.01 up to and including \$2,000,000.00, plus, 12% of Gross Revenues achieved over \$2,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|--|---------------------------|-------|
| <u>Highest-Ranking:</u> | | |
| Paradies Lagardere @ SFO 2018 (F&B), LLC | Bourbon Pub | 91.50 |
| Host International, Inc. | Magnolia Brewing | 87.50 |
| SSP America, Inc. | Original Joe's | 84.75 |
| Bayport Concessions, LLC | Mama's of San Francisco | 84.50 |
| Beecher's Airport Restaurants-CA1, LLC | Beecher's Handmade Cheese | 83.75 |
| Mission Yogurt, Inc. | San Francisco Joe's | 80.00 |
| Nopa Ventures | Parranga | 79.25 |

Lease 5 – Chicken Quick Serve Restaurant

MAG - \$310,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|--|------------------|-------|
| <u>Highest-Ranking:</u> | | |
| Tastes On The Fly San Francisco, LLC | Starbird | 91.75 |
| Paradies Lagardere @ SFO 2018 (F&B), LLC | The Organic Coup | 87.50 |

Lease 6 – A Café

MAG - \$385,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|-------------------------------|------------------------|-------|
| <u>Highest-Ranking:</u> | | |
| Soaring Food Group, LLC | Illy Caffè | 91.00 |
| Joe & The Juice SFO, LLC | Joe & The Juice | 86.00 |
| West Coast, LLC | Max's | 86.00 |
| Whisk & Bowl - SFO Group | Whisk & Bowl | 82.00 |
| JRenee SFO | Fraiche | 75.50 |
| Airport Coffee Experts, LLC | Dogpatch Caffè | 71.40 |
| Andre-Boudin Bakeries, Inc. | Boudin's | 70.20 |
| SBM SFO | Jamba Juice | 69.25 |
| High Flying Foods | Peets Coffee & Tea | 67.60 |
| Andale Management Group, Inc. | Ritual Coffee Roasters | 65.20 |
| S Two Puffs, LLC | Coffee + pi | 59.75 |

Lease 7 – Asian Quick Serve Restaurant

MAG - \$240,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$500,000.00, plus 10% of Gross Revenues achieved from \$500,000.01 up to and including \$1,000,000.00, plus 12% of Gross Revenues achieved over \$1,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|----------------------------------|------------------------------|-------|
| <u>Highest-Ranking:</u> | | |
| Lady Luck Gourmet, LLC | Goldilocks Filipino Cuisine | 91.25 |
| Bun Mee LLC | Bun Mee | 86.50 |
| Sankaku, Inc. | Waku Waku | 86.00 |
| Bayport Concessions, LLC | Koi Palace Express | 84.25 |
| JDDA Concession Management, Inc. | Hibachi-San Japanese Kitchen | 78.50 |
| Gate 74, Inc. | Koja Kitchen | 78.25 |
| CA Clipper Foods, LLC | Thai Express | 78.00 |
| Teriyaki Madness - SFO Group | Teriyaki Madness | 73.25 |
| S Two Puffs, LLC | Sous Vide SFO | 59.00 |

Lease 8 – Café & Market

MAG - \$475,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$1,500,000.00, plus, 10% of Gross Revenues achieved from \$1,500,000.01 up to and including \$2,000,000.00, plus, 12% of Gross Revenues achieved over \$2,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|--------------------------|----------------------|-------|
| <u>Highest-Ranking:</u> | | |
| Host International, Inc. | The Bistrot Bay Area | 91.25 |
| Rylo Management, LLC | Jack Rabbit Market | 80.50 |

Lease 9 – A Sit-Down Restaurant and Bar

MAG - \$620,000.00. Percentage Rent – 8% of Gross Revenues achieved up to and including \$1,500,000.00, plus, 10% of Gross Revenues achieved from \$1,500,000.01 up to and including \$2,000,000.00, plus, 12% of Gross Revenues achieved over \$2,000,000.00.

| PROPOSER | CONCEPT NAME | SCORE |
|--|--------------------------------|-------|
| <u>Highest-Ranking:</u> | | |
| SF Foodways, LLC | Flyaway by Drake's Brewing Co. | 93.75 |
| Host International, Inc. | Sam's Chowder House | 87.25 |
| Amoura International | Amoura | 86.75 |
| SSP America, Inc. | Trick Dog | 86.75 |
| Mission Yogurt, Inc. | Corridor | 86.25 |
| Paradies Lagardere @ SFO 2018 (F&B), LLC | Bourbon Pub | 86.25 |
| Flagship, LLC | Blatt Beer & Table | 77.75 |

Among the nine leases recommended for award, six are proposers from the Greater Bay Area. The other three proposals were tendered from firms in Bethesda, MD; Lansdowne, VA; and Atlanta, GA, each consisting of a joint venture which includes between 15% to 20% ownership by local partners. Additionally, three of the nine proposers are Airport Concession Disadvantaged Business Enterprise ("ACDBE") certified, and four more proposers included ACDBE partners with 12% to 35% joint venture ownership. Among those recommended for award are six concepts founded in San Francisco and the Bay Area: Amy's Drive Thru, Bun Mee, Bourbon Pub, Flyaway by Drake's Brewing Company, Starbird, and The Little Chihuahua.

Upon request, debriefings will be held with proposers to assist them in understanding how the proposals were viewed by the evaluation panel. These efforts will be encouraged as Requests for Proposals for future food and beverage locations will be issued for the remainder of 2018 and into 2019.

Recommendation

I recommend this Commission (1) award to the recommended operators the aforementioned nine Terminal 1 Food and Beverage Concession Leases; and (2) direct the Commission Secretary to request approval of the Leases from the Board of Supervisors.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments