



San Francisco International Airport

**MEMORANDUM**

April 18, 2023

TO: AIRPORT COMMISSION  
Hon. Malcolm Yeung, President  
Hon. Everett A. Hewlett, Jr.  
Hon. Jane Natoli  
Hon. Jose F. Almanza

23-0110  
= APR 18 2023

FROM: Airport Director

SUBJECT: Approval of Lease Termination Agreement for the Terminal 2 Specialty Retail Concession Lease No. 5, Lease No. 18-0156 with XpresSpa S.F. International, LLC

DIRECTOR'S RECOMMENDATION: APPROVE THE LEASE TERMINATION AGREEMENT FOR THE TERMINAL 2 SPECIALTY RETAIL CONCESSION LEASE NO. 5, LEASE NO. 18-0156 WITH XPRESSPA S.F. INTERNATIONAL, LLC.

**Executive Summary**

XpresSpa S.F. International, LLC, a traditional spa services concession tenant (Tenant) has requested to terminate their lease due to a significantly diminished business climate for spa services in airports resulting from the COVID-19 pandemic. Tenant never commenced construction or opened for business as a result of the pandemic. The Airport is agreeable to a termination in exchange for the payment of a termination fee. Staff seeks approval from the Airport Commission (Commission) to enter into a termination of lease agreement (Lease Termination Agreement) pursuant to which Tenant will pay to City the amount of \$145,000.00, which is the equivalent of one year of Minimum Annual Guarantee rent under the Lease. Staff believes this is a fair and reasonable amount that will compensate the Airport for the loss of revenue it will sustain as a result of such termination. Staff is confident that the Airport will be able to quickly re-lease the space for a more viable concept through a future competitive solicitation process.

**Background**

On May 15, 2018, the Commission adopted Resolution No. 18-0156, awarding the Terminal 2 Specialty Retail Concession Lease No. 5 (Lease) to Tenant. The Lease has a term of seven years. The Lease had not commenced due to a lengthy design approval process. XpresSpa was the incumbent for the premises and was operating under a permit up until the start of the pandemic. Tenant did not commence construction after the start of the pandemic.

THIS PRINT COVERS CALENDAR ITEM NO. 17

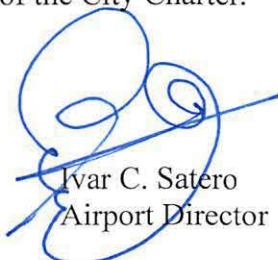
On April 6, 2022, Tenant formally notified the Airport of its desire to terminate the Lease, citing a significantly diminished business climate for spa services since the COVID-19 pandemic. The Airport declined the request to terminate, in favor of continuing to monitor recovery from the pandemic and viability of the spa business in airports. On February 8, 2023, Tenant once again notified the Airport of its desire to terminate the Lease, and Staff recommended honoring the request. Prior to the pandemic, Tenant’s parent company operated more than 50 XpresSpa airport spas globally. More than 50% of XpresSpa locations that operated pre-pandemic have now been returned to the landlord due to either lease expiration or termination. Sales at the remaining XpresSpa locations are, on average, 54% of 2019 levels. According to Tenant, the airport spa business remains constrained due to the shift in passenger demographics from business to leisure travel, and the continued absence of the business traveler who was their primary customer. In addition, many airline travelers are still hesitant to engage in services that require personal contact and touch by a stranger in an airport setting, such as massage or nail services.

**Proposal**

Staff recommends that the Commission approve the Lease Termination Agreement with Tenant, pursuant to which Tenant will pay to Airport a lease termination fee of \$145,000.00, which is equal to one year of the Minimum Annual Guarantee rent payable under the Lease. Staff believes this is a fair and reasonable amount that will compensate the Airport for the loss of revenue it will sustain as a result of such termination, and is confident that a new tenant with a more profitable concept can be identified through a future competitive process within the 12 month period for which the Airport is being compensated by the termination fee.

**Recommendation**

I recommend that the Commission adopt the attached resolution approving the Lease Termination Agreement for the Terminal 2 Specialty Retail Concession Lease No. 5, Lease No. 18-0156 with XpresSpa S.F. International, LLC dba XpresSpa, and direct the Commission Secretary to forward the Lease Termination Agreement to the Board of Supervisors for approval pursuant to Section 9.118 of the City Charter.



Ivar C. Satero  
Airport Director

Prepared by: Kevin Bumen  
Chief Financial and Commercial Officer

Attachments

# Exhibit A

TERMINAL 2 SPECIALTY RETAIL CONCESSION LEASE NO. 5, LEASE NO. 18-0156

