

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 15-0017

APPROVAL OF THE TERMINATION OF LEASE AGREEMENT FOR THE BOARDING AREA
"F" PHARMACY, HEALTH, AND BEAUTY STORE LEASE NO. 08-0133 WITH BUTH-NA-
BODHAIGE, INC. DBA THE BODY SHOP ("TERMINATION OF LEASE AGREEMENT").

WHEREAS, pursuant to Resolution No. 08-0188, adopted July 1, 2008, the Airport Commission ("Commission") awarded the Boarding Area "F" Pharmacy, Health, and Beauty Store Lease ("Lease") to Harmony Pharmacy and Health Center, Inc. ("Harmony"); and

WHEREAS, pursuant to Resolution No. 13-0126, adopted May 21, 2013, the Commission consented to the assignment of the Lease from Harmony to Buth-na-Bodhaige, Inc. dba The Body Shop ("The Body Shop") and the Commission exercised its option to extend the term of the Lease through April 7, 2016; and

WHEREAS, The Body Shop has expressed a desire to terminate the Lease prior to April 7, 2016 and the Airport is agreeable to such early termination provided that The Body Shop pay an early termination fee in the amount of \$198,166.23 and comply with such other terms and conditions as set forth in the Termination of Lease Agreement; now, therefore, be it

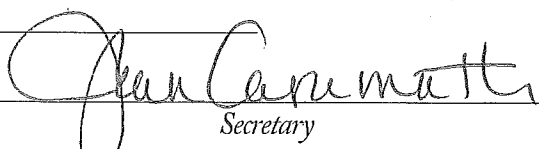
RESOLVED, that this Commission hereby approves the Termination of Lease Agreement for the Boarding Area "F" Pharmacy, Health, and Beauty Store Lease No. 08-0133 with Buth-na-Bodhaige, Inc. dba The Body Shop; and, further be it

RESOLVED, that this Commission hereby directs the Commission Secretary to forward the Termination of Lease Agreement 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 _____

JAN 20 2015


Secretary



San Francisco International Airport

MEMORANDUM

January 13, 2015

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

FROM: Airport Director

SUBJECT: Termination of Lease Agreement for the Boarding Area "F" Pharmacy, Health, and Beauty Store Lease No. 08-0133 with Buth-na-Bodhaige, Inc. dba The Body Shop ("Termination of Lease Agreement")

DIRECTOR'S RECOMMENDATION: APPROVE THE TERMINATION OF LEASE AGREEMENT FOR THE BOARDING AREA "F" PHARMACY, HEALTH, AND BEAUTY STORE LEASE NO. 08-0133 WITH BUTH-NA-BODHAIGE, INC. DBA THE BODY SHOP, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE TERMINATION OF LEASE AGREEMENT TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

Buth-na-Bodhaige, Inc. dba The Body Shop ("The Body Shop") currently operates the Boarding Area "F" Pharmacy, Health, and Beauty Store Lease No. 08-0133 ("Lease") at San Francisco International Airport ("Airport"), which expires on April 7, 2016. The Body Shop has expressed a desire to terminate the Lease early and the Airport is agreeable to such an early termination provided that The Body Shop pay an early termination fee and comply with such other terms and conditions as set forth in the Termination of Lease Agreement. Staff seeks the Airport Commission's ("Commission") approval of the Termination of Lease Agreement whereby The Body Shop would pay \$198,166.23 in exchange for an early lease termination date of March 31, 2015. Staff is confident that the early termination will not result in loss of revenue because the Airport will be able to re-tenant the lease space through a competitive request for proposals process in the nine-month period after the proposed early termination date during which the Airport is receiving the equivalent of monthly rent paid in the form of the early termination fee.

Background

On July 1, 2008, the Commission adopted Resolution No. 08-0133, awarding the Boarding Area "F" Pharmacy, Health, and Beauty Store Lease ("Lease") to Harmony Pharmacy and Health Center, Inc.

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

THIS PRINT COVERS CALENDAR ITEM NO. 16

EDWIN M. LEE
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

("Harmony"). The Lease had a term of five years with a single two-year option to extend exercisable at the sole discretion of the Commission. On May 21, 2013, the Commission adopted Resolution No. 13-0126, consenting to the assignment of the Lease from Harmony to The Body Shop and the Commission exercised its option to extend the term of the Lease through April 7, 2016.

On November 21, 2014, The Body Shop notified the Airport of its desire to terminate the Lease prior to the lease expiration date of April 7, 2016. The Body Shop proposed an early termination date effective March 31, 2015 and has agreed to pay an early termination fee in the amount of \$198,166.23. This amount is equal to nine months of the Minimum Annual Guarantee rent, prorated on a monthly basis. Staff is confident that through a competitive request for proposals process a new tenant can be identified to enter into a new lease for the concession space between the time of proposed early termination date of March 31, 2015 and December 31, 2015 – the date through which the Airport will have received the equivalent of monthly rent from The Body Shop paid in the form of the early termination fee.

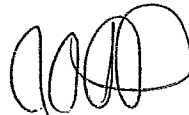
The Body Shop has agreed to a Termination of Lease Agreement, which stipulates that the Lease would terminate as of March 31, 2015 ("Termination Date") upon payment of the early termination fee of \$198,166.23. The Termination of Lease Agreement shall not relieve The Body Shop of its payment obligations under the Lease, including payment of rent, accruing prior to the Termination Date.

Proposal

Staff recommends that the Commission approve the Termination of Lease Agreement with Buth-na-Bodhaige, Inc. dba The Body Shop. Staff is confident that a replacement tenant will be identified by undergoing a competitive request for proposals process without loss of revenue to the Airport.

Recommendation

I recommend that the Commission adopt the attached resolution approving the Termination of Lease Agreement for the Boarding Area "F" Pharmacy, Health, and Beauty Store Lease No. 08-0133 with Buth-na-Bodhaige, Inc. dba The Body Shop, and direct the Commission Secretary to forward the Termination of Lease Agreement to the Board of Supervisors for approval pursuant to Section 9.118 of the City Charter.



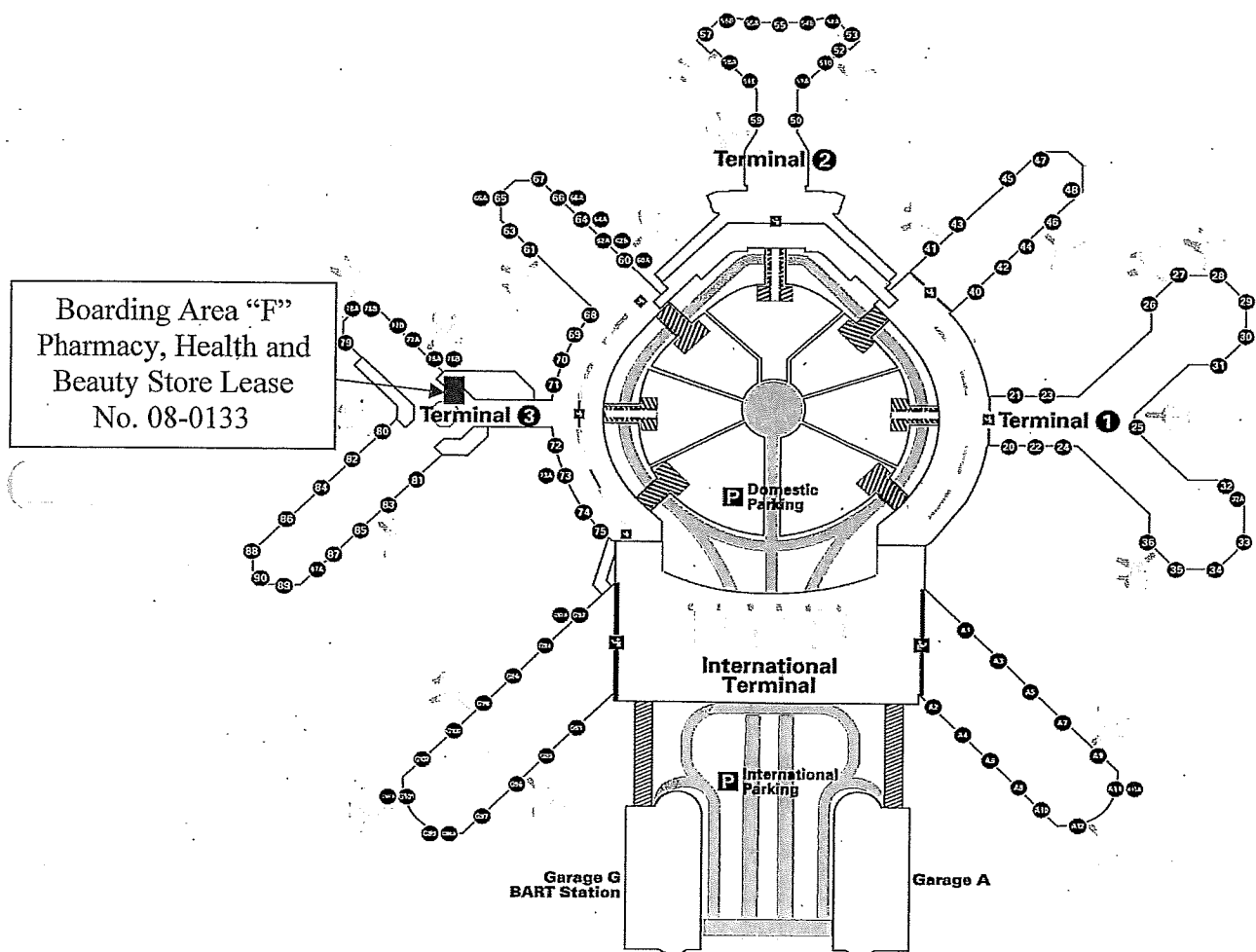
John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

ATTACHMENT 1

PREMISES



AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

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RESOLVED, that this Commission hereby directs the Commission Secretary to forward the Termination of Lease Agreement 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 _____*

Secretary