

MEMORANDUM

October 27, 2015

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: Revised Amendment No. 5 to Pacific Gateway Concessions, LLC's Boarding Areas "B" and "C" Principal Concession Retail Lease No. 98-0228

DIRECTOR'S RECOMMENDATION: APPROVE THE REVISED AMENDMENT NO. 5 TO PACIFIC GATEWAY CONCESSIONS, LLC'S BOARDING AREAS "B" AND "C" PRINCIPAL CONCESSION RETAIL LEASE NO. 98-0228, EXTENDING THE TERM FOR THREE LOCATIONS, AND DIRECTING THE COMMISSION SECRETARY TO FORWARD THE REVISED AMENDMENT NO. 5 TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

Under Boarding Areas "B" and "C" Principal Concession Retail Lease No. 98-0228 ("Lease"), Pacific Gateway Concessions, LLC ("PGC") operated four retail locations in Terminal 1, including a Specialty Shop, a Newsstand, a Newsstand Kiosk and a Candy Cart. The Lease expired on June 17, 2015. The Newsstand location closed after the lease expiration this year. In order to accommodate the Terminal 1 Redevelopment Program, San Francisco International Airport ("Airport") desires to extend the term of the Lease until approximately September 2019 for the Specialty Shop and the Candy Cart, and until approximately June 2016 for the Newsstand Kiosk.

Background

On September 15, 1998, pursuant to Resolution No. 98-0228, the Airport Commission ("Commission") awarded the Boarding Areas "B" and "C" Principal Concession Retail Lease ("Original Lease") to DeLaVe, Inc. for a term of five years. The Commission consented to assignment of the Original Lease to PGC by Resolution No. 05-0150 adopted August 2, 2005.

Subsequently, the Commission approved four amendments (collectively the "Lease Amendments") to the Original Lease (the Original Lease and the Lease Amendments shall be referred to herein as the "Lease").

THIS PRINT COVERS CALENDAR ITEM NO. 15

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

The lease history is summarized below:

Date	Amendment	Change	Reason
February 19, 2002	Amendment 1	Concession Support Program enacted consisting of Minimum Annual Guarantee ("MAG") suspension; MAG reinstatement language; and a 5 year extension.	Terrorist attacks of September 11, 2001.
September 16, 2003	Amendment 2	Modified the original premises and increased the MAG.	Relocation of 3 facilities to allow the Airport to develop its Domestic Terminals food and beverage program.
May 22, 2009	Amendment 3	Removed all premises on Boarding Area C; reduced the MAG; added a news wall on Boarding Area B; extended the term for 3 years; stipulated refurbishment requirements.	Boarding Area C premises were removed to create a new business opportunity. Boarding Area B premises were extended due to the Airport's plans to renovate within a short period of time.
June 30, 2011	Amendment 4	Extended the term for 2 additional years and added 2 one-year options.	Lease was extended again due to Airport's plans to renovate within a short period of time.

The Airport Commission approved a prior version of Amendment No. 5 by Resolution No. 15-0137 adopted on June 16, 2015, that included replacement premises for the Newsstand Kiosk of approximately 400 square feet adjacent to the new Gate 20 in Terminal 1. Due to design changes in the Terminal 1 Redevelopment Program, the replacement premises are no longer available. This revised Amendment No. 5 removes the replacement premises from the lease amendment. In addition, since there are no replacement premises for the Newsstand Kiosk, the term of the Newsstand Kiosk will not be extended to September 2019, as originally anticipated. In light of the terminal design changes, staff now recommends that the term for the Newsstand Kiosk be extended only to June 2016.

The remainder of terms and conditions of the original Amendment No. 5 stay the same. The term for the Specialty Shop and the Candy Cart is recommended to be extended to approximately September 2019 in order to continue offering a high level of customer service to guests. Staff further recommends that the Commission approve these amended terms in lieu of exercising the second and final option to extend as provided for in Amendment No. 4.

Lease Amendment Proposal

The proposed revised Amendment No. 5 with PGC contains the following terms and conditions:

- 1) Term.
 - a) The term for the Specialty Shop and the Candy Cart is extended and will expire in or around September 2019.
 - b) The term for the Newsstand Kiosk will expire in or around June 2016 based on the Terminal 1 Redevelopment Program schedule.
 - c) The second and final option to extend is not exercised and such term is removed from the Lease.
- 2) Rent and Other Fees and Charges. Rent and other fees and charges which are tied to the square footage of the premises will be adjusted based on the difference in square footage between the original premises and the modified premises.

Recommendation

I recommend approving the revised Amendment No. 5 to Pacific Gateway Concessions, LLC's Boarding Areas "B" and "C" Principal Concession Retail Lease No. 98-0228, and directing the Commission Secretary to forward the revised Amendment No. 5 to the Board of Supervisors for approval.



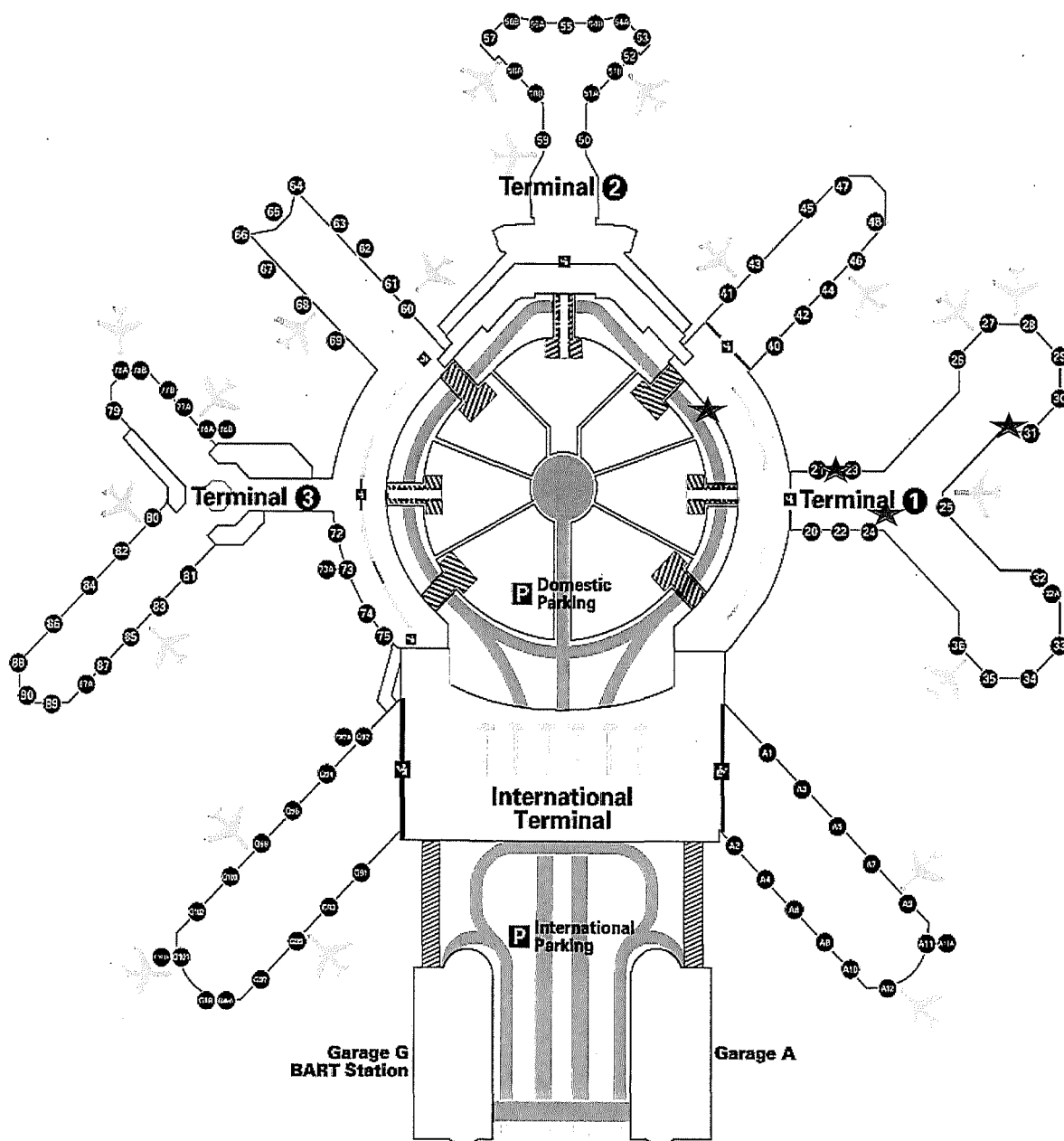
John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

Attachment 1

Pacific Gateway Concessions, LLC Boarding Areas "B" and "C" Principal Concession Retail Lease No. 98-0228 Premises



★ Boarding Areas "B" and "C" Principal Concession
Retail Lease Locations