



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 Six Terminal 1 Retail Concession Leases

DIRECTOR'S RECOMMENDATION: (1) AWARD SIX TERMINAL 1 RETAIL CONCESSION LEASES; AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

The competitive selection process for six Terminal 1 Retail Concession Leases ("Leases") has concluded and award is recommended to the following operators: InMotion Entertainment Group, LLC (Lease 1, an electronics store); Paradies Lagardere @ SFO 2018, LLC (Lease 2, a newsstand); L'Occitane Airport Venture, LLC (Lease 4, a bath and beauty store), The Marshall Retail Group, LLC (Lease 5, a newsstand and a convenience store); RAKH, Inc. (Lease 6, a sunglass store) and Skyline Concessions, Inc. (Lease 7, a newsstand).

No proposals were received for Lease 3, and Staff is currently undergoing a new competitive process for that lease as authorized by Resolution No. 18-0190, adopted June 19, 2018.

Background

By Resolution No. 17-0305, adopted on December 5, 2017, the Airport Commission ("Commission") authorized Staff to commence the competitive proposal process and issue a Request for Proposals ("RFP") for the Leases. Staff presented the Leases to interested parties and gathered their feedback at an informational conference on January 24, 2018.

By Resolution No. 18-0077, adopted March 20, 2018, 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 14 proposals by the May 2, 2018 submittal deadline. Staff determined that all proposals met the RFP's minimum qualifications.

Staff convened a four-member panel to evaluate the proposals. The panel consisted of the following: an SFO Airport Duty Manager, a private sector Architect, the Director of Concessions at Los Angeles International Airport, and the Commercial Manager from the Transbay Joint Powers Authority. 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

THIS PRINT COVERS CALENDAR ITEM NO. 4

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

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 of Leases 1 and 5 is 10 years. The term for Leases 2, 4, 6 and 7 is seven years with two one-year options to extend at the Commission’s sole discretion.

Lease 1 – Electronics

MAG - \$405,000.00. Percentage Rent - 8% of gross revenues achieved from licensed electronic products and hardware products, plus 12% of gross revenues achieved up to \$500,000.00 from all retail products, 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 from all retail products (excluding licensed electronic products and hardware products).

PROPOSER	CONCEPT NAME	SCORE
InMotion Entertainment Group, LLC	iStore	85.75

Lease 2 – Newsstand

MAG - \$700,000.00. 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>		
Paradies Lagardere @ SFO 2018, LLC	Mills Cargo	87.96
The Marshall Retail Group, LLC	The Well	81.96
HG SFO Retailers 2018 JV	Ghiradelli Square	78.00
Pacific Gateway Concessions, LLC	New Stand	74.95

Lease 4 - Bath and Beauty

MAG - \$135,000.00. 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
L’Occitane Airport Venture, LLC	L’Occitane	91.25

Lease 5 - Newsstand and Convenience

MAG - \$440,000.00. 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 NAMES	SCORE
<u>Highest Ranking:</u>		
The Marshall Retail Group, LLC	Departures/7X7	88.98
Paradies Lagardere @ SFO 2018, LLC	Mills Cargo/7-11	80.49
HG SFO Retailers 2018 JV	Bay Market/Hudson	78.00
Pacific Gateway Concessions, LLC	New Stand/Where Traveler Marketplace Café	75.81

Lease 6 – Sunglasses

MAG - \$126,000.00. 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>		
RAKH, Inc.	NYS Collection	81.25
FaceTime	RDG Concessions, LLC	74.00
Air Sun JV	Sunglass Hut	57.25

Lease 7 - Newsstand, A Small Business Set-Aside

MAG - \$220,000.00. 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
Skyline Concessions, Inc.	Skyline News and Gifts	72.00

Among the six leases recommended for award, two proposers are from the Bay Area. The other four proposals were tendered from one firm in Florida, one firm in Georgia, one firm in New York and one firm in Nevada. One of the Bay Area proposers is an Airport Concession Disadvantaged Business Enterprise (“ACDBE”). The Florida proposer is a joint venture which includes 12% ownership with a local ACDBE partner. The Georgia proposer is a joint venture which includes 15% ownership with a local ACDBE partner. The New York proposer is a joint venture which includes 35% ownership with an ACDBE partner. The Nevada proposer is a joint venture which includes 20% ownership with two local ACDBE partners (10% each). Among the concepts proposed, four are new to the Airport.

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 retail locations will be issued in 2019.

Recommendation

I recommend that the Commission: (1) award to the recommended operators the aforementioned six Terminal 1 Retail 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

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 18-0207

AWARD OF THE TERMINAL 1 RETAIL CONCESSION LEASE 6 TO RAKH, INC.

WHEREAS, by Resolution No. 17-0305, adopted on December 5, 2017, the Airport Commission authorized Staff to commence the competitive selection process and issue a Request for Proposals for the Terminal 1 Retail Concession Leases; and

WHEREAS, by Resolution No. 18-0077, adopted March 20, 2018, the Commission approved the revised minimum qualification requirements and authorized Staff to accept proposals for the Terminal 1 Retail Concession Leases; and

WHEREAS, on May 2, 2018, Staff received fourteen proposals for the Terminal 1 Retail Concession Leases; and


WHEREAS, a four-member panel evaluated the proposals and determined RAKH, Inc. to be the responsible proposer submitting the highest-ranking responsive proposal for Lease 6; now, therefore, be it

RESOLVED, that this Commission hereby awards the Terminal 1 Retail Concession Lease 6 to RAKH, Inc. 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 seven years with two (2) one-year options to extend exercisable by the Airport Commission and a Minimum Annual Guarantee of \$126,000.00 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 1 Retail Concessions Lease 6 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 **JUL 10 2018**


Secretary