

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0246

**AWARD OF THE TERMINAL 3 BOARDING AREA F NEWS AND MULTI-
CONCEPT RETAIL STORE LEASE TO MRG SAN FRANCISCO TERMINAL 3, LLC**

- WHEREAS, on April 2, 2019, by Resolution No. 19-0071, the Airport Commission (Commission) authorized Staff to commence the competitive selection process through Request for Proposals (RFP) process for the Terminal 3 Boarding Area F News and Multi-Concept Retail Store Lease; and
- WHEREAS, on June 18, 2019, by Resolution No. 19-0151 the Commission authorized Staff to accept proposals for the Lease; and
- WHEREAS, on July 24, 2019, Staff received five proposals for the Lease from the following proposers: MRG San Francisco Terminal 3, LLC, WH Smith SFO, LLC, Newslink of SF Term 3, LLC, Paradies Lagardere SFO 2018, LLC and HG SFO Retailers 2017 JV; and
- WHEREAS, a three-member panel reviewed the qualifying proposals and determined MRG San Francisco Terminal 3, LLC to be the highest-ranking, responsive, and responsible proposer; now, therefore, be it
- RESOLVED, that this Commission hereby awards the Terminal 3 Boarding Area F News and Multi-Concept Retail Store Lease to MRG San Francisco Terminal 3, LLC, under the terms and conditions set forth in the Staff memorandum on file with the Commission Secretary, including, but not limited to, a term of seven years with two 1-year options exercisable at the sole and absolute discretion of the Commission, and a Minimum Annual Guarantee of \$750,000.00 for the first year of the lease term; and, be it further
- RESOLVED, that the Commission Secretary is hereby directed to request approval of the Lease by Resolution of the Board of Supervisors 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
OCT 01 2019
at its meeting of _____

Secretary



MEMORANDUM

October 1, 2019

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenhime
Hon. Malcolm Yeung

19-0246

OCT 01 2019

FROM: Airport Director

SUBJECT: Award of the Terminal 3 Boarding Area F News and Multi-Concept Retail Store Lease to MRG San Francisco Terminal 3, LLC

DIRECTOR'S RECOMMENDATION: (1) AWARD THE TERMINAL 3 BOARDING AREA F NEWS AND MULTI-CONCEPT RETAIL STORE LEASE TO MRG SAN FRANCISCO TERMINAL 3, LLC; (2) AND DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASE FROM THE BOARD OF SUPERVISORS.

Executive Summary

The proposal evaluation process for the Terminal 3 Boarding Area F News and Multi-Concept Retail Store Lease (Lease) has concluded and award is recommended to MRG San Francisco Terminal 3, LLC (MRG).

Background

On April 2, 2019, by Resolution No. 19-0071, the Airport Commission (Commission) authorized Staff to commence the competitive selection process through a Request for Proposals (RFP) for the Lease. The Lease is for a retail space near Gate 84 in Boarding Area F in Terminal 3. The space will include a newsstand and no less than two separate retail concepts. The Lease has a term of seven years with two 1-year options to extend, exercisable at the discretion of the Commission.

On May 8, 2019, Staff conducted an informational meeting where the Lease was presented to the interested parties. Staff gathered feedback from potential proposers, and there were no changes made to the minimum qualification requirements or lease specifications.

On June 18, 2019, by Resolution No. 19-0151, the Commission authorized Staff to accept proposals.

THIS PRINT COVERS CALENDAR ITEM NO. 5

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME MALCOLM YEUNG IVAR C. SATERO AIRPORT DIRECTOR

In response to the RFP, the Airport received five proposals by the July 24, 2019 Submittal Deadline. Staff determined that all five proposals met the RFP's minimum qualifications, and convened a three-member evaluation panel to review and score the proposals. The panel consisted of the following: a Senior Business Manager at Raleigh-Durham International Airport, a Director at a Global Design Firm, and an SFO Project Manager from Design & Construction. The evaluation panel's selection for the highest-ranking, responsive, and responsible proposer is identified below, along with all other qualifying proposers for the Lease.

PROPOSER	CONCEPT	SCORE
<u>Highest Ranking:</u>		
MRG San Francisco Terminal 3, LLC	Silicon Valley News & Gifts/Natalies Candies/Urban Decay-Kiehls	88.29
WH Smith SFO, LLC	WH Smith/Athleta/MAC	78.13
Newslink of SF Term 3, LLC	415 Supply/Untuck IT/ MAC	77.21
Paradies Lagardere SFO 2018, LLC	Mills Cargo/Johnston & Murphy/MAC	76.79
HG SFO Retailers 2017 JV	Lombard & Hyde/MAC/Taylor Stitch-Roost	74.33

The Minimum Annual Guarantee (MAG) for the first lease year is \$750,000.00. Base rent is the greater of the MAG or percentage rent of 12% of Gross Revenues for sales up to and including \$1,000,000.00, plus 14% of Gross Revenues between \$1,000,000.01 and \$2,000,000.00, plus 16% of Gross Revenues achieved over \$2,000,000.00. The term for the Lease is seven years with two 1-year options to extend, exercisable at the discretion of the Commission.

The Marshall Retail Group, LLC, which proposed as MRG, currently holds three leases with the Airport. They currently operate District Market in the hub of Boarding Area F, Hello Karl!, a gift and souvenir shop in Terminal 2, and will operate a newsstand and convenience store in the new Harvey Milk Terminal 1, Boarding Area B, opening in March 2020. For this Lease, they have partnered with Merchandising America, Inc. and Travel Well Holdings LLC, both of whom are locally-based Airport Certified Disadvantaged Business Enterprise certified partners.

Recommendation

I recommend the Commission (1) award the Terminal 3 Boarding Area F News and Multi-Concept Retail Store Lease to MRG San Francisco Terminal 3, LLC; and (2) direct the Commission Secretary to request approval of the Lease by Resolution from the Board of Supervisors.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments

Attachment 1

TERMINAL 3 BOARDING AREA F NEWS AND MULTI-CONCEPT RETAIL STORE LEASE

