

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 20-0047

**AWARD OF THE HARVEY MILK TERMINAL 1 RETAIL CONCESSION LEASE 12 TO HG SFO RETAILERS 2017 JV**

WHEREAS, on September 10, 2019, by Resolution No. 19-0226, the Airport Commission (Commission) authorized Staff to commence a Request for Proposals process for three Harvey Milk Terminal 1 Retail Concession Leases in Phases 3 & 4 (Leases); and

WHEREAS, on December 3, 2019, by Resolution No. 19-0289, the Commission approved the revised lease terms and proposal requirements, and authorized Staff to accept proposals for the Leases; and

WHEREAS, on January 22, 2020, Staff received five proposals for the Leases; and

WHEREAS, a four-member panel evaluated the proposals and determined HG SFO Retailers 2017 JV to be the responsible proposer submitting the highest-ranking responsive proposal for Lease 12; now, therefore, be it

RESOLVED, that this Commission hereby awards the Harvey Milk Terminal 1 Retail Concession Lease 12 in Phases 3 & 4 to HG SFO Retailers 2017 JV 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 twelve years and a Minimum Annual Guarantee of \$460,000.00 for the first year of the lease term; and, be it further

RESOLVED, that this Commission hereby directs the Commission Secretary to forward the Harvey Milk Terminal 1 Retail Concession Lease 12 in Phases 3 & 4 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* \_\_\_\_\_

**MAR 17 2020**

\_\_\_\_\_  
*Secretary*



**MEMORANDUM**

March 17, 2020

20-0045  
20-0046  
20-0047

TO: AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Eleanor Johns  
Hon. Richard J. Guggenime  
Hon. Malcolm Yeung

MAR 17 2020

FROM: Airport Director

SUBJECT: Award of Three Harvey Milk Terminal 1 Retail Concession Leases in Phases 3 & 4

DIRECTOR'S RECOMMENDATION: (1) AWARD THREE HARVEY MILK TERMINAL 1 RETAIL CONCESSION LEASES IN PHASES 3 & 4; AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

**Executive Summary**

The competitive selection process for three Harvey Milk Terminal 1 Retail Concession Leases in Phases 3 & 4 (collectively, Leases) has concluded and award is recommended to the following operators: Minute Suites Travelers Retreat SFO, LLC (Lease 8, a traveler's retreat); Genesco Partners Joint Venture #11 (Lease 11, an apparel/lifestyle store); and HG SFO Retailers 2017 JV (Lease 12, a bookstore).

**Background**

On September 10, 2019, by Resolution No. 19-0226, the Airport Commission (Commission) authorized Staff to commence the RFP process for the Leases. On October 3, 2019, Airport staff conducted an informational conference for the Interested Parties (Interested Parties). During the conference, Staff solicited comments from the Interested Parties regarding the proposal documents.

On December 3, 2019, by Resolution No. 19-0289, the Commission approved the revised lease terms and proposal requirements, and authorized Staff to accept proposals for the Leases. In response to the RFP, the Airport received five proposals by the January 22, 2020 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

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at Los Angeles International Airport, and an airport consultant. The evaluation panel's selections for the highest-ranking, responsive, and responsible proposers are identified below, along with all other qualifying proposers for each Lease. The 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 all three Leases is 12 years.

**Lease 8 – Traveler's Retreat**

MAG - \$150,000.00. Percentage Rent – 10% of Gross Revenues.

PROPOSER	CONCEPT NAME	SCORE
<u>Highest Ranking:</u> Minute Suites Travelers Retreat SFO, LLC	Minute Suites & Be Relax	85.05
XpresSpa S.F. International LLC dba XpresSpa Roam Fitness	XpresSpa & Roam Fitness	82.00

**Lease 11 – Apparel/Lifestyle**

MAG - \$365,000.00. Percentage Rent - 12% of Gross Revenues achieved up to and including \$1,000,000.00, plus 14% of Gross Revenues achieved from \$1,000,000.01 up to and including \$2,000,000.00, plus 16% of Gross Revenues achieved over \$2,000,000.00.

PROPOSER	CONCEPT NAME	SCORE
Genesco Partners Joint Venture #11	Johnston & Murphy	86.67

**Lease 12 - Bookstore**

MAG - \$460,000.00. Percentage Rent - 8% of Gross Revenues achieved up to and including \$2,000,000.00, plus 10% of Gross Revenues over \$2,000,000.00.

PROPOSER	CONCEPT NAMES	SCORE
<u>Highest Ranking:</u> HG SFO Retailers 2017 JV	Green Apple Books	91.67
Books, Inc.	Compass Books	84.77

Minute Suites Travelers Retreat SFO, LLC, the apparent successful proposer for Lease 8, is an entity based in Illinois which includes 11.4% ownership by an Airport Concession Disadvantaged Business Enterprise (ACDBE). Genesco Partners Joint Venture #11, the apparent successful proposer for Lease 11, is an entity based in Tennessee which includes 20% ownership by an ACDBE partner. HG SFO Retailers 2017 JV, the apparent successful proposer for Lease 12, is an entity based in New Jersey which includes 10% ownership by a local ACDBE partner and 10% with an ACDBE partner. Three of the brands recommended for award 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 are issued in 2020.

**Recommendation**

I recommend the Commission: (1) award to the recommended operators the aforementioned three Harvey Milk Terminal 1 Retail Concession Leases in Phases 3 & 4; 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

# Attachment 1

## HARVEY MILK TERMINAL 1 RETAIL CONCESSIONS LEASES IN PHASES 3 & 4

