

[Airport Concession Support Program Lease]

**Resolution approving, retroactive to September 11, 2001, the Airport Concession Support Program between Action Cellular-Cellular Phone Rental Service Lease; Andale SFO - New International Terminal Food and Beverage Lease; Bank of America - Domestic Banking Services Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza - New International Terminal Food and Beverage Lease; Books, Inc. - North Terminal Bookstore Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area “F” Cosmetic and Toiletries Lease; CalStar Retail, Inc. - Boarding Area “F” Newsstand Lease and North Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport Advertising Program Lease and SFO Cyber Room Technology Showcase Lease; D. Mitchell Concessions dba Harry Denton’s - New International Terminal Food and Beverage Lease; D-Lew Enterprises dba Il Fornaio - New International Terminal Food and Beverage Lease; Deli-Up Enterprises, LLC - New International Terminal Food and Beverage Lease; Discovery Channel Stores - New International Terminal Nature Theme Store Lease; Ebisu, Inc. - New International Terminal Food and Beverage Lease; Emporio Rulli - New International Terminal Food and Beverage Lease; Fung Lum Express, LLC - New International Terminal Food and Beverage Lease; Gotham Foods Two, LLC dba Firewood Café - New International Terminal Food and Beverage Lease; Harbor Airport, LLC dba Harbor Village - New International Terminal Food and Beverage Lease; Host International, Inc. - North Terminal Concession Opportunity Lease, Boarding Areas “B” and “C” Bookstores Lease, New International Terminal Aviation Store Lease, and North Terminal Hub Principal Retail Concession Lease; Lori’s Diner International - New International Terminal Food and Beverage Lease; Nidal Nazzal dba Burger Joint - New International**

\*\*Airport Commission\*\*

BOARD OF SUPERVISORS

1 Terminal Food and Beverage Lease; North Terminal Shines - Shoeshine Service Lease;  
2 OSI-MB-Boarding Area "F" Executive Writing Instruments Lease; Pacific Gateway  
3 Concessions, LLC - Boarding Areas "B" and "C" Principal Retail Concession Lease;  
4 Pacific Golf Partners, LLC - New International Terminal Golf Shop Lease; Polk-  
5 Townsend and Associates dba Café Metro - New International Terminal Food and  
6 Beverage Lease; Rosedale-Wilsons dba Wilsons Leather - North Terminal Concourse  
7 Fine Leather Goods Lease; San Francisco Museum of Modern Art - New International  
8 Terminal Museum Store Lease; See's Candies, Inc. - North Terminal Candy Store Lease  
9 (upon execution of the Lease); SFO Hairport - New International Terminal Hair Salon  
10 Lease; Smarte Carte - Public Lockers and Over-the-Counter Baggage Lease; Tomokazu  
11 Japanese Cuisine (SFO), Inc. - New International Terminal Food and Beverage Lease;  
12 Travelex America, Inc. - ATM Lease A in the New International Terminal, ATM Lease B  
13 in the New International Terminal, and Foreign Currency Lease; U-Threads - Boarding  
14 Area "F" Collegiate Apparel Lease; WH Smith Hotel Services - New International  
15 Terminal Bookstore/Café Lease; and Yoko, Inc. dba Osho Japanese Cuisine - New  
16 International Terminal Food and Beverage Lease; Duty Free Shop - New International  
17 Terminal Duty Free Shop Lease and the City and County of San Francisco, Acting by  
18 and through its Airport Commission.  
19

20 WHEREAS, The events of September 11, 2002 2001, in conjunction with the softening  
21 dot.com bust economy, have together drastically affected Airport tenants' revenues; and

22 WHEREAS, The Airport's retail, food and beverage, and passenger services tenants  
23 have since represented that they cannot meet the demands of the lease(s) with respect to the  
24 Minimum Annual Guarantees (MAGs); and  
25

1 WHEREAS, In response, the Airport Commission approved Resolution No. 02-0039,  
2 approved the Airport Concession Support Program, which is a comprehensive long-term plan  
3 to provide support to the Airport's tenants; now, therefore, be it

4 RESOLVED, That the Board of Supervisors hereby approves, retroactive to September  
5 11, 2001, the Airport Concession Support Program, as follows:

6 **1. MAG Suspensions/Reinstatements**

- 7 • Suspends the Minimum Annual Guarantees ("MAGs") of Action Cellular -  
8 Cellular Phone Rental Service Lease; Books, Inc. - North Terminal Bookstore  
9 Lease; CalStar Retail, Inc. - Boarding Area "F" Newsstand Lease and North  
10 Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport  
11 Advertising Program Lease and SFO Cyber Room Technology Showcase  
12 Lease; Discovery Channel - New International Terminal Nature Theme Store  
13 Lease; Host International, Inc. - North Terminal Concession Opportunity  
14 Lease, Boarding Areas "B" and "C" Bookstores Lease, New International  
15 Terminal Aviation Store Lease, and North Terminal Hub Principal Retail  
16 Concession Lease; North Terminal Shines - Shoeshine Service Lease; OSI-  
17 MB-Boarding Area "F" Executive Writing Instruments Lease; Pacific Gateway  
18 Concessions - Boarding Areas "B" and "C" Principal Retail Concession  
19 Lease; Pacific Golf Partners, LLC - New International Terminal Golf Shop  
20 Lease; San Francisco Museum of Modern Art - New International Terminal  
21 Museum Store Lease; See's Candies, Inc. - North Terminal Candy Store  
22 Lease (upon execution of the Lease); SFO Hairport - New International Hair  
23 Salon Lease; Smarte Carte - Public Lockers and Over-the-Counter Baggage  
24 Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area "F"  
25 Cosmetic and Toiletries Lease; Travelex - ATM Lease in the New

1 International Terminal, ATM Lease B in the New International Terminal, and  
2 Foreign Currency Lease; U-Threads - Boarding Area "F" Collegiate Apparel  
3 Lease; WH Smith Hotel Services - New International Terminal  
4 Bookstore/Café Lease; and Rosedale-Wilsons dba Wilsons Leather - North  
5 Terminal Concourse Fine Leather Goods Lease; and requires such tenants  
6 to pay the percentage rent specified in their respective leases, except as  
7 otherwise provided below.

- 8 • Reinstates the MAGs once monthly enplanements equal or exceed 85% of  
9 the enplanements for the same month in year 2000 for two (2) consecutive  
10 months. Each enplanement comparison would be done by the "Relevant  
11 Boarding Area". MAGs would not be suspended thereafter. However, in no  
12 event will MAG reinstatement occur before April 1, 2002.
- 13 • In the event a tenant delays or refuses to execute an appropriate lease  
14 amendment reflecting these amended terms and conditions, the MAG of  
15 such tenant shall be reinstated immediately upon written notice from the  
16 Airport Director.

## 17 **2. Lease Term Extensions**

18 Grants to the following tenants an option permitting them to extend the terms of their  
19 respective leases for one 5-year period due to the significant build-out costs incurred:  
20 Action Cellular - Cellular Phone Rental Service Lease; Andale SFO - New International  
21 Terminal Food and Beverage Lease; Bank of America - Domestic Banking Services  
22 Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza - New  
23 International Terminal Food and Beverage Lease; Books, Inc. - North Terminal  
24 Bookstore Lease; Buth-na-Bodhaige, Inc. dba The Body Shop - Boarding Area "F"  
25 Cosmetic and Toiletries Lease; Polk-Townsend and Associates dba Café Metro - New

1 International Terminal Food and Beverage Lease; CalStar Retail, Inc. - Boarding Area  
2 "F" Newsstand Lease and North Terminal Candy Cart/Kiosk Lease; Clear Channel  
3 Airports - Airport Advertising Program Lease and SFO Cyber Room Technology  
4 Showcase Lease; D. Mitchell Enterprises dba Harry Denton's - New International  
5 Terminal Food and Beverage Lease; D-Lew Enterprises dba Il Fornaio - New  
6 International Terminal Food and Beverage Lease; Deli-Up Enterprises, LLC - New  
7 International Terminal Food and Beverage Lease; Discovery Channel Stores - New  
8 International Terminal Nature Theme Store Lease; Ebisu - New International Terminal  
9 Food and Beverage Lease; Emporio Rulli - New International Terminal Food and  
10 Beverage Lease; Fung Lum Express, LLC - New International Terminal Food and  
11 Beverage Lease; Harbor Airport, LLC dba Harbor Village - New International Terminal  
12 Food and Beverage Lease; Gotham Foods Two LLC dba Firewood Café - New  
13 International Terminal Food and Beverage Lease; Host International, Inc. - North  
14 Terminal Concession Opportunity Lease, Boarding Areas "B" and "C" Bookstores  
15 Lease, New International Terminal Aviation Store Lease, and North Terminal Hub  
16 Principal Retail Concession Lease; Lori's Diner International - New International  
17 Terminal Food and Beverage Lease; Nidal Nazzal dba Burger Joint - New International  
18 Terminal Food and Beverage Lease; North Terminal Shines - Shoeshine Service  
19 Lease; OSI-MB - Boarding Area "F" Executive Writing Instruments Lease; Pacific  
20 Gateway Concessions, LLC - Boarding Areas "B" and "C" Principal Retail Concession;  
21 Pacific Golf Partners, LLC - New International Terminal Golf Shop Lease; Rosedale-  
22 Wilsons dba Wilsons Leather - North Terminal Concourse Fine Leather Goods Lease;  
23 San Francisco Museum of Modern Art - New International Terminal Museum Store  
24 Lease; See's Candies, Inc. - North Terminal Candy Store Lease (upon execution of the  
25 Lease); SFO Hairport - New International Terminal Hair Salon; Tomokazu Japanese

1 Cuisine (SFO), Inc. - New International Terminal Food and Beverage Lease; Travelex  
2 America - ATM Lease in the New International Terminal, ATM Lease B in the New  
3 International Terminal, and Foreign Currency Lease; U-Threads - Boarding Area "F"  
4 Collegiate Apparel Lease; WH Smith Hotel Services - New International Terminal  
5 Bookstore/Café Lease; and Yoko, Inc. dba Osho Japanese Cuisine - New International  
6 Terminal Food and Beverage Lease.

7 Such option would be exercisable by the tenant on or before the date that is one year  
8 before the current lease expiration date. In the event the tenant exercises such option,  
9 then the lease rent payable by the tenant during the option term shall be adjusted to  
10 equal market rent, as determined by the Airport Director. In no event will be the rent  
11 payable in the Option Term be less than the rent payable by the Tenant in the last year  
12 of the base term of the Lease. Following such determination, if the tenant is unwilling  
13 to pay such market rent, the tenant shall be entitled to withdraw its exercise of the  
14 option.

### 15 **3. DFS Post-Security Master Retail Duty Free/Duty Paid Lease**

16 Specifies the following terms and conditions for DFS, by Airport Commission  
17 Resolution No. 02-0072, adopted April 2, 2002, under the Concession Support  
18 Program:

- 19 • Suspend DFS' MAG applicable to duty free goods until December 31, 2002 and  
20 require DFS to pay percentage rent of 30% on duty free goods, except as  
21 otherwise provided below. For purposes of the Program, the MAG applicable to  
22 duty free goods is equal to ninety percent (90%) of the MAG specified in the  
23 Post Security Master Retail Lease ("Duty Free MAG").
- 24 • Reinstate DFS' duty free MAG if monthly gross revenues of duty free goods  
25 equal or exceed five million dollars (\$5,000,000) per month for two (2)

1 consecutive months. For example, if the gross revenues generated by the sale  
2 of duty free goods for the months of April 2002 and May 2002, respectively,  
3 equal or exceed \$5,000,000, DFS' Duty Free MAG would be reinstated effective  
4 May 1, 2002. DFS' Duty Free MAG would not be adjusted or suspended  
5 thereafter.

- 6 • Suspend DFS' Minimum Annual Guarantee applicable to duty paid goods and  
7 require DFS to pay the percentage rent specified in the lease on duty paid  
8 goods. For purposes of the Program, the MAG applicable to duty paid goods  
9 equals ten percent (10%) of the MAG specified in the Post Security Master  
10 Retail Lease ("Duty Paid MAG").
- 11 • Reinstatement DFS' Duty Paid MAG for duty paid goods once monthly enplanements  
12 equal or exceed 85% of the enplanements for the same month in year 2000 for  
13 two (2) consecutive months. Such comparison would be done by comparing the  
14 combined enplanements for International Terminal Boarding Area A and  
15 International Terminal Boarding Area G (the "Relevant Boarding Area"). The  
16 Duty Paid MAG would not be adjusted or suspended thereafter.
- 17 • DFS will be required to submit the customary sales reports and the Airport will  
18 have appropriate audit rights.
- 19 • Grant DFS an option to extend the term of its lease for one five-year period.  
20 Such option would be exercisable on or before the date that is one year before  
21 the current lease expiration date.

#### 22 **4. Travelex Percentage Rent Structure**

23 Travelex America holds three leases at the Airport: two for Automated Teller Machines  
24 in the New International Terminal, and the lease for Foreign Currency Exchange  
25 Services.

1 International Terminal ATM Lease "A" and B"

2 The rent paid by Travelex for the ATM leases is the sum of: (a) the MAG, plus b)  
3 33% of Transaction Surcharges ("Percentage Rent), plus c) \$0.10 per customer  
4 use ("Transaction Rent").

5 Given the unique rent structure of the Travelex ATM leases, the Airport  
6 Commission authorized, in Resolution No. 02-0039, the following percentage  
7 rent structure for the Travelex ATM leases during the MAG suspension period:

- 8 • 35% of the fees for 0 to 32,000 surchargeable transactions, plus
- 9 • 50% of the fees for 32,000 to 50,000 surchargeable transactions, plus
- 10 • 60% of the fees for 50,000+ surchargeable transactions.

11 Each Travelex ATM Lease MAG shall be reinstated in accordance with Section  
12 1 above. Upon reinstatement of its ATM MAGs, Travelex shall, in accordance  
13 with its leases, pay the sum of a) the MAG, plus b) 33% of Transaction  
14 Surcharges, plus c) \$0.10 per customer use.

15 Additionally, Travelex was granted an option to extend the term of the ATM  
16 Leases for one five-year period. Such option would be exercisable on or before  
17 the date that is one year before the current lease expiration dates.

18 Foreign Currency Exchange Lease

19 The Travelex Foreign Currency Exchange Lease does not include a percentage  
20 rent structure. Rather the Lease specifies that Travelex shall pay the greater of  
21 the MAG or \$0.88 per enplaned international passenger. In Resolution No. 02-  
22 0039, the Airport Commission authorized a percentage rent structure for  
23 Travelex's Foreign Currency Exchange Lease as follows:

24 4.25% of \$0 to \$50,000,000 in currency transactions, plus

25 5% of \$50,000,000.01 to \$60,000,000 in currency transactions, plus



1 5.25% over \$60,000,000 in currency transactions.

2 Subsequently, staff engaged in further discussions with Travelex regarding the  
3 Foreign Currency Exchange Lease and, by Resolution No. 02-0072, the Airport  
4 Commission approved the following rent structure for Travelex's Foreign  
5 Currency Exchange Lease during the MAG Suspension period:

- 6 • Suspend Travelex's MAG for Foreign Currency Exchange until December  
7 31, 2002, and require Travelex to pay the Passenger-Based Fee of  
8 eighty-eight cents (\$0.88) per Enplanement as specified in the lease.
- 9 • Travelex will be required to submit the customary sales reports and the  
10 Airport will have appropriate audit rights.
- 11 • Reinstate Travelex's MAG for Foreign Currency Exchange effective  
12 January 1, 2003. The MAG would not be adjusted or suspended  
13 thereafter.
- 14 • In the event Travelex shall default, the Airport Director may immediately  
15 reinstate the MAG without the benefit of any notice or right to cure as may  
16 otherwise be provided under its lease.

17 Travelex was also granted an option to extend the term of the Foreign Currency  
18 Exchange Lease for one five-year period. Such option would be exercisable on  
19 or before the date that is one year before the current lease expiration date.

20 **5. Adjust Percentage Rent Structure for Certain Post-Security Food/Beverage**  
21 **Operators**

22 The following post-security restaurants are focused on the sale of food (restaurant  
23 classification) and not the sale of liquor (bar classification): Andale SFO, D. Mitchell  
24 Concessions dba Harry Denton's, and Gotham Foods Two LLC dba Firewood Café.

25 Thus, in Resolution No. 02-0039, the Airport Commission adjusted the percentage rent

1 structures for these leases to be in line with other food-dominated restaurants as  
2 follows:

- 3 6% of Gross Revenues achieved up to and including \$1,000,000; plus
- 4 8% of Gross Revenues achieved over \$1,000,000 up to and including
- 5 \$1,500,000; plus
- 6 10% of Gross Revenues achieved over \$1,500,000.

7 The MAG amounts for these leases will not change.

8 **6. Clear Channel Outdoor dba Clear Channel Airports (formerly known as**  
9 **Transportation Media, Inc.) ("Clear Channel") – Airport Advertising**  
10 **Program Lease**

11 Clear Channel Airport's Advertising Program Lease was included in the Concession  
12 Support Program. Subsequently, staff engaged in further discussions with Clear  
13 Channel Airport, which resulted in the following:

- 14 • Resolution No. 02-0062, adopted by the Commission on March 5, 2002  
15 approved additional locations in the baggage claim level of the Terminal  
16 Buildings and the sterile corridors of International Terminal's arrivals level. This  
17 same resolution also reinstated the MAG for the Airport Advertising Program  
18 Lease effective April 1, 2002.
- 19 • Resolution No. 02-0071, adopted April 2, 2002, approved the amended MAG  
20 Increase Schedule as follows:

21	Lease Year 2	\$4,100,000
22	Lease Year 3	\$4,200,000
23	Lease Year 4	\$4,300,000
24	Lease Year 5	\$4,800,000

- Resolution No. 02-0071 also allowed for the MAG adjustment calculations be based on the greater of 85% of the previous year's rent paid or the above MAG Increase Schedule, instead of the Consumer Price Index adjustment.

Clear Channel was also granted an option to extend the term of the Airport Advertising Program Lease for one five-year period. Such option would be exercisable on or before the date that is one year before the current lease expiration date; and, be it

FURTHER RESOLVED, That the Airport Director shall take all steps necessary to implement such program, including the execution of appropriate lease amendments; and, be it

FURTHER RESOLVED, That the Airport Director is requested to submit a written report to the Board on or about April 1, 2003, detailing the status of passenger traffic levels and its impact on the subject leases.



# City and County of San Francisco

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

## Tails Resolution

**File Number:** 021230

**Date Passed:**

Resolution approving, retroactive to September 11, 2001, the Airport Concession Support Program between Action Cellular-Cellular Phone Rental Service Lease; Andale SFO - New International Terminal Food and Beverage Lease; Bank of America - Domestic Banking Services Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza - New International Terminal Food and Beverage Lease; Books, Inc. - North Terminal Bookstore Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area "F" Cosmetic and Toiletries Lease; CalStar Retail, Inc. - Boarding Area "F" Newsstand Lease and North Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport Advertising Program Lease and SFO Cyber Room Technology Showcase Lease; D. Mitchell Concessions dba Harry Denton's - New International Terminal Food and Beverage Lease; D-Lew Enterprises dba Il Fornaio - New International Terminal Food and Beverage Lease; Deli-Up Enterprises, LLC - New International Terminal Food and Beverage Lease; Discovery Channel Stores - New International Terminal Nature Theme Store Lease; Ebisu, Inc. - New International Terminal Food and Beverage Lease; Emporio Rulli - New International Terminal Food and Beverage Lease; Fung Lum Express, LLC - New International Terminal Food and Beverage Lease; Gotham Foods Two, LLC dba Firewood Café - New International Terminal Food and Beverage Lease; Harbor Airport, LLC dba Harbor Village - New International Terminal Food and Beverage Lease; Host International, Inc. - North Terminal Concession Opportunity Lease, Boarding Areas "B" and "C" Bookstores Lease, New International Terminal Aviation Store Lease, and North Terminal Hub Principal Retail Concession Lease; Lori's Diner International - New International Terminal Food and Beverage Lease; Nidal Nazzal dba Burger Joint - New International Terminal Food and Beverage Lease; North Terminal Shines - Shoeshine Service Lease; OSI-MB-Boarding Area "F" Executive Writing Instruments Lease; Pacific Gateway Concessions, LLC - Boarding Areas "B" and "C" Principal Retail Concession Lease; Pacific Golf Partners, LLC - New International Terminal Golf Shop Lease; Polk-Townsend and Associates dba Café Metro - New International Terminal Food and Beverage Lease; Rosedale-Wilsons dba Wilsons Leather - North Terminal Concourse Fine Leather Goods Lease; San Francisco Museum of Modern Art - New International Terminal Museum Store Lease; See's Candies, Inc. - North Terminal Candy Store Lease (upon execution of the Lease); SFO Hairport - New International Terminal Hair Salon Lease; Smarte Carte - Public Lockers and Over-the-Counter Baggage Lease; Tomokazu Japanese Cuisine (SFO), Inc. - New International Terminal Food and Beverage Lease; Travelex America, Inc. - ATM Lease A in the New International Terminal, ATM Lease B in the New International Terminal, and Foreign Currency Lease; U-Threads - Boarding Area "F" Collegiate Apparel Lease; WH Smith Hotel Services - New International Terminal Bookstore/Café Lease; and Yoko, Inc. dba Osho Japanese Cuisine - New International Terminal Food and Beverage Lease and the City and County of San Francisco, Acting by and through its Airport Commission.

August 12, 2002 Board of Supervisors — AMENDED

Ayes: 11 - Ammiano, Daly, Gonzalez, Hall, Leno, Maxwell, McGoldrick, Newsom, Peskin, Sandoval, Yee

August 12, 2002 Board of Supervisors — ADOPTED AS AMENDED

Ayes: 11 - Ammiano, Daly, Gonzalez, Hall, Leno, Maxwell, McGoldrick, Newsom, Peskin, Sandoval, Yee

File No. 021230

I hereby certify that the foregoing Resolution  
was ADOPTED AS AMENDED on August  
12, 2002 by the Board of Supervisors of the  
City and County of San Francisco.

AUG 23 2002

Date Approved

Gloria L. Young

Gloria L. Young *by Kay Delangos*  
Clerk of the Board

Willie L. Brown Jr.

Mayor Willie L. Brown Jr.