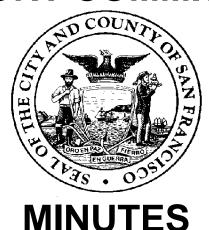
SAN FRANCISCO AIRPORT COMMISSION



May 26, 2015 Special Meeting 9:00 A.M.

Room 400 - City Hall #1 Dr. Carlton B. Goodlett Place (400 Van Ness Avenue) City and County of San Francisco

EDWIN M. LEE, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

LINDA S. CRAYTON

Vice President

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT SAN FRANCISCO, CALIFORNIA 94128

Minutes of the Airport Commission Special Meeting of May 26, 2015

CALENDAR A	AGENDA ITEM	A TITLE	RESOLUTIOI NUMBER				
A.		CALL TO ORDER:		4			
B.		ROLL CALL:		4			
C.		ADOPTION OF MINUTES: Regular meeting of May 5, 2015	15-0109	4			
D.	1.	SPECIAL ITEM: Appreciation for Julian C. L. Chang, Mayor's Rep. to the Airport/Community Roundtable	15-0110	4			
E.		ITEMS INITIATED BY COMMISSIONERS:		5			
F.	2.	ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE; Fiscal Year 2015/16 Airport Rates and Charges	15-0111	5			
	3.	Designate up to \$58,110,000 of PFC Funds as Revenue for Debt Service Payment in FY2015/1	6 15-0112	5-6			
	4.	Commence RFP Process for the Terminal 3 Retainment Marketplace Lease	ail 15-0113	6-8			
	5.	Commence RFP Process for International Termi Food and Beverage Concession Leases	nal 15-0114	8-10			
G.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS: 6. Modification No. 4 to Professional Services Contract 9015.9 - CM Services for Replacement Airport Traffic Control Tower and Integrated Facility Project - T-2 Partners, a JV of Parsons Transportation Group, EPC Consultants, and The Allen Group 15-0115 10					
	7.	Modification No. 3 to Contract 9073 - Maintenand Repair Services of Airport-Owned Common Use Passenger Boarding Bridges and Baggage Hand Systems in Terminals 1 and 2 - Siemens Postal, & Airports Logistics	lling	10			
	8.	Award Contract 50049 - Swap Advisory Services Swap Financial, LLC	s - 15-0117	10			
	9.	Award Contract 50048 - Tax Advisory and Arbitra Services - BLX Group LLC	age 15-0118	10-11			

	10.	Administer, and Manage SFO Medical Clinic - Dignity Health, dba St. Mary's Medical Center	15-0119	11
	11.	Modification No.3 to PSC 9239 - Provide Continued International Aviation Marketing Services in Oversea Locations - San Francisco Travel Association	ns 15-0120	11
	12.	Modification No. 2 to PSC 9270 - Provide Continued International Aviation Marketing Services in Oversea Locations - Hill+Knowlton Strategies		11
	13.	Commence RFP Process for International Terminal Specialty Retail Store Lease	15-0122	11-12
	14.	Exercise Two-Year Option to Extend - Wells Fargo Bank, N.A.'s Domestic Terminals Automated Teller Machines Lease "A" - Lease No. 09-0267	15-0123	12
	15.	Exercise Two-Year Option to Extend - JPMorgan Chase Bank, N.A.'s Domestic Terminals Automated Teller Machines Lease "B" - Lease No. 09-0268	15-0124	12
	16.	Exercise Two-Year Option - Airport Mailer, Inc.'s Security Checkpoint Mail Service Lease 13-0036	15-0125	12
H.		NEW BUSINESS:		12
l.		CORRESPONDENCE:		12
J.		CLOSED SESSION:		13
Κ.		ADJOURNMENT:		13

AIRPORT COMMISSION SPECIAL MEETING MINUTES May 26, 2015

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:03 AM in Room 400, City Hall, San Francisco, CA.

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B. ROLL CALL:

Present: Hon. Larry Mazzola, President

Hon. Linda S. Crayton, Vice President

Hon. Eleanor Johns

Hon. Richard J. Guggenhime

Hon. Peter A. Stern

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C. ADOPTION OF MINUTES:

The minutes of the regular meeting of May 5, 2015 were adopted unanimously.

No. 15-0109

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D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Guggenhime. The vote to approve was unanimous.

1. Resolution of Appreciation for Julian C. L. Chang, Mayor's Representative to the Airport/Community Roundtable

No. 15-0110 Resolution recognizing and expressing appreciation

to Julian C. L. Chang for his participation on the Airport/Community Roundtable for the past seven

years as the Representative of the Mayor.

Mr. John Martin, Airport Director said Julian is not here today. He has served for seven years on the Airport/Community Roundtable. The meetings are in Millbrae. I'm very grateful that he took the time to attend these meetings. There are about six meetings a year on Wednesday nights. He also served on committees. He served as the representative for Mayor Newsom and then for Mayor Lee. A framed resolution will be presented to him to thank him for his service.

Commissioner Crayton said that Julian is a good friend of mine. I worked with him for many years. He was my attorney at AT&T. He's got a zeal for everything and has a bubbly personality. I'm sad that he's not going to be with us anymore, but he certainly needs to be honored for his work.

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E. ITEMS INITIATED BY COMMISSIONERS: There were no items initiated by Commissioners.

- F. ACTION ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE: Item Nos. 2 and 3 were called together. They were moved by Commissioner Mazzzola and seconded by Commissioner Guggenhime. The vote to approve was unanimous.
 - 2. Adoption of Fiscal Year 2015/16 Airport Rates and Charges

No. 15-0111 Resolution establishing Airport Rates and Charges for Fiscal Year 2015/16.

Mr. Mike Nakornkhet, Financial Planning and Analysis, said that Item No. 3 is the designation of Passenger Facility Charges (PFC) as revenues for payment of debt service and, Item No. 2 adopts FY 2015/16 Rates & Charges. These two items are related in that PFCs that are designated as revenue, are used to offset debt service in our operating budget and PFCs, combined with non-airline revenues, offset total expenses and moderates increases in airline rates. In FY 2015/16, we propose to designate up to \$58.1 million of PFCs as revenues to offset debt service. As far as rates and charges, we propose an increase in the airline landing fee rate of 6.7% to \$4.87 per 1,000 lbs. of landed weight and terminal rental rate increase of 4.8% to \$157.18 per square foot annually. Rates and charges have been reviewed with the airlines and the Airport's Financial Advisory Committee, and both agreed with what the Airport proposed. The resulting unit cost to airlines at SFO, commonly referred to in the industry as cost per enplane passenger (CPE), is projected to increase by 2.8% to \$17.26 per passenger. When you adjust that for inflation back to 2007/08 dollars, it's actually relatively flat to last year at \$14.60, and that remains well below the \$18.90 ceiling that we established with airlines thru FY2015/16 and that amount is also relatively comparable or lower than many other international gateway airports, including JFK, Boston Logan, Washington Dulles, Miami, LAX and O'Hare.

Commissioner Crayton asked if other airports similar to SFO, particularly LAX, are being impacted similarly in terms of our rates?

Mr. Nakornkhet replied yes. We project that many airports will see an increase in the CPE resulting from the airline rates as they embark on large capital projects.

Mr. Martin said that because of their large construction program, the rates at LAX will be guite a bit higher than ours in the coming years, and we're competitive for low cost carriers ... we're lower cost than San Jose and Oakland.

Designating up to \$58,110,000 of Passenger Facility Charge (PFC) Funds as 3. Revenues for Payment of Debt Service in FY 2015/16 and Authorization to Apply Such Amount to Airline Rates and Charges, as Needed

No. 15-0112 Resolution designating up to \$58,110,000 of PFC

funds as revenue for payment of debt service in

FY2015/16 and authorizing such amount to be applied to airline rates and charges, as needed.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Stern. The vote to approve was unanimous.

4. <u>Commence Request for Proposals Process for the Terminal 3 Retail Marketplace</u> Lease

No. 15-0113

Resolution approving the proposed minimum qualification requirements and lease specifications, and authorizing staff to issue a Request for Proposals and conduct an informational conference for the Terminal 3 Retail Marketplace Lease.

Ms. Cheryl Nashir, Director, Revenue Development and Management said that this item seeks your approval to commence the Request for Proposal process for the Terminal 3 Retail Marketplace lease. At the hub of Boarding Area F in Terminal 3, we have two leases expiring ... they include three locations, and another shop in the same area has been relocated. There's a storage room behind the space as well. Each of these retail spaces has a challenge, whether it's an awkward store front, a narrow store front, an awkward footprint, and we have an opportunity to combine all of these spaces into one large footprint and put it out to bid as one single location at 5,200 sq. ft. It would be a marketplace offering multiple concepts under one roof. We'd like to specify the following use for this space: a minimum of four concepts or distinct product lines that integrate retail, entertainment, dwell space, and some lite food and beverage that also embodies the character of the Bay Area and its diverse retail culture. We believe such a marketplace will draw customers to the Hub food court across from it. The minimum acceptable proposal amount for the first year rent is \$1.5 million and the term is five years with two one year options to extend at our sole discretion. With your approval, we would like to publish the RFP and schedule an informational conference to reach out to interested parties to gauge their interest and receive feedback.

Commissioner Johns ... so we're going from three or four individuals to one?

Ms. Nashir replied yes. There's four stores and storage room today, so it's five spaces, and we're going to make it into one.

Commissioner Johns asked what happens to those individuals who are currently there? I know their leases are expiring but now it's going to be one lease as opposed to smaller ones. What happens to those sole proprietors?

Ms. Nashir said that one of the proprietors has been relocated to another location in the Hub, so he's been made whole. The other two companies would be able to compete for this larger lease.

Commissioner Johns ... but what if they're a small group?

Ms. Nashir said it would be difficult for them to compete for something this large without forming a partnership. We expect that there will be news in this location, specialty retail, so they could partner to bring those uses together.

Commissioner Johns said that in the past we wanted as many local and small businesses as we would get, and this sounds like we're going in the other direction. I don't know which ones are left from the four or five that you've mentioned that don't have a spot. If you're a small group, you're not going to be able to compete with a large group. Would they have an opportunity of being able to be a sub-tenant of a large group, or is that not in the cards?

Ms. Nashir said it is in the cards. We've let the industry know, and we will continue to let them know that we're very interested in local ownership and local concepts.

Commissioner Johns ... who are these people?

Ms. Nashir replied Sunglass Hut in one store and World Duty Free Group, formerly Host, in the other two stores with a newsstand and Mango, a women's clothing line.

Commissioner Johns said that Host is large, but is Sunglass Hut large or small?

Ms. Nashir ... it's a smaller company, an ACDBE that's a licensee of Sunglass Hut.

Mr. Martin said they're a company that might well be in a partnership or sub-tenant.

Commissioner Johns asked if that would be part of the RFP.

Ms. Nashir said it could form a partnership in this proposal with a larger firm.

Commissioner Johns ... when you do the RFP, there would be nothing in it that would state that if you previously had a location, etc.?

Ms. Nashir said correct.

Commissioner Johns said it's pure competition if they were able to become a subtenant of whoever gets the larger lease.

Ms. Nashir said that's correct.

Commissioner Johns asked if we've done this before.

Ms. Nashir replied we have not done this with retail. It's something new we wanted to try. We thought this might give an opportunity for a local company to partner with a larger one and perhaps become an owner of something that's worth \$8 or \$10 million. This location also might give a large company a chance to feature boutiques of local companies ... a little like a mini department store.

Commissioner Johns ... it seems to me that it's going in a direction that's different from what we've done in the past. We have always looked to local and smaller.

Commissioner Mazzola said they are both big companies and they are being asked to move. Are they local companies?

Ms. Nashir said they're not local. Sunglass is a licensee, so it's a smaller company.

Commissioner Mazzola ... the rent we'll receive is \$1.5 million, and how much more is this rent than the combined rents we were receiving?

Ms. Nashir replied it's about \$150,000 more than we're getting today.

Commissioner Guggenhime noted that we also have a percentage of gross, so if sales go the way you expect, we will collect more in rent.

Ms. Nashir replied correct.

Commissioner Crayton ... I'm concerned about this and would like a more in depth conversation about it. I have people calling me all the time. I walk through the Airport and I see things and I want to be better educated so that I can explain what's going on and why it looks the way it does in terms of the people. Diversity is almost non-existent. I know we need to do this to further our business, and we will actually have a large lease that will sublease to smaller businesses. We did that with Green Beans Coffee. It's been done before, but I need to be better educated so that I feel comfortable with what's going on and I can explain it to someone else.

Mr. Martin said we can hold this over for one meeting and report back to the Commission on how this is being handled.

Commissioner Guggenhime said that we're talking about one tenant. How much space does that tenant occupy?

Ms. Nashir replied that Sunglass Hut has about 300 square feet.

Commissioner Crayton said that's not much. My issue is not so much about the one tenant, it's about the whole program.

Commissioner Mazzola ... we're not going to hold it over?

Commissioner Crayton replied we're not going to hold it over.

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Guggenhime. The vote to approve was unanimous.

5. <u>Commencement of the Request for Proposals Process for the International</u> Terminal Food and Beverage Concession Leases

No. 15-0114

Resolution approving the proposed minimum qualification requirements and lease specifications, and authorizing staff to issue a Request for Proposals (RFP) and conduct an informational conference for

the International Terminal Food and Beverage Concession leases.

Ms. Nashir said that this item seeks your approval to begin the RFP process for the International Terminal Food and Beverage Program. All but one of the International Terminal restaurant leases will expire this November. The program currently has 20 locations covered by 16 leases. The International Terminal is short on concession space post security, which is where we would like to add square footage, and also short on space available for that purpose. At the end of our leasing efforts we will have 22 locations covered by 17 leases, so we're growing by only two locations, and only through one additional lease. Today, we are seeking authorization to issue an RFP for 13 of those 17 leases. The 13 leases will bring us 18 new food and beverage facilities. With your approval, an RFP for the remaining four leases will be issued sometime next year. We'll specify the uses for the 13 leases and they will include sit down restaurants, a market, coffee locations, quick serve, and food and beverage locations. Five leases will be for more than one location, a practice only used when we need a stronger space to support a space with lower sales. We've done our best to maximize single location leases and, as always, we will let the marketplace know of our desire for local concepts and local ownership. There's a lot of excitement around this effort. The lease terms will be seven years for presecurity locations and 10 years for post-security locations. The seven year term is shorter than typical for this use. We recommend this because of the anticipated base building changes for the International Terminal pre-security lobby. We'd like the flexibility to move ahead with construction around 2022, 2023, and we want to have these leases expiring around that time. One exception is we're recommending pairing two pre-security coffee mini market locations located in Terminal 3 arrivals and the International Terminal, with a proposed 10-year term for this lease. This won't be in the way of any construction we envision. These restaurants will open in a phased fashion between April and December 2016. Presently, the International Terminal food program captures \$42.5 million in annual sales. At the conclusion of this redevelopment we conservatively estimate that number to grow to \$60 million. With your approval, we'd like to publish this RFP and schedule an informational conference to hear from the interested parties.

Commissioner Johns said this is different from the previous item in that it's simply putting out RFPs for each individual space available for lease, and you're adding two new spaces ... correct?

Ms. Nashir replied correct, except the RFP will offer up 13 leases, with five of those leases having two locations, and eight of them having a single location.

Commissioner Johns asked how many have two locations at this time. And when you say two locations, you mean the Airport, not necessarily in the International Terminal, or are you only talking about the International Terminal?

Ms. Nashir said four of the five have two International Terminal locations, and one of them has an International and a Terminal 3 location. There are currently only two leases in the International Terminal that have two locations.

Commissioner Johns ... but we're not combining anything like we did in Item No. 4.

Ms. Nashir replied correct. There's nothing that large being put together.

Commissioner Crayton asked if we're considering people already at the Airport.

Ms. Nashir replied yes. I would say probably all of our existing tenants are interested in competing for new space.

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- G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS: The Consent Calendar, Item Nos. 6 through 16, was moved by Commissioner Crayton and seconded by Commissioner Guggenhime. The vote to approve was unanimous.
 - 6. Modification No. 4 to Professional Services Contract No. 9015.9 Construction

 Management Services for Replacement Airport Traffic Control Tower and

 Integrated Facility Project T-2 Partners, a Joint Venture of Parsons Transportation

 Group, Inc., EPC Consultants, Inc., and The Allen Group, LLC \$450,000

No. 15-0115

Resolution approving Modification No. 4 to PSC No. 9015.9, Construction Management Services for the Replacement Airport Traffic Control Tower and Integrated Facility Project with T2 Partners, a J.V.of Parsons Transportation Group, Inc, EPC Consultants, The Allen Group, LLC, in an amount of \$450,000 for a new contract amount not to exceed \$7,960,415 and extending the contract duration by 244 days.

7. Modification No. 3 to Contract 9073 - Provide Maintenance and Repair Services for Airport-Owned Common Use Passenger Boarding Bridges and Baggage Handling Systems in Terminals 1 and 2 - Siemens Postal, Parcel, & Airports Logistics, LLC - \$399,256

No. 15-0116

Resolution approving Modification No. 3 to Contract No. 9073 with Siemens Postal, Parcel, & Airport Logistics, LLC, exercising the second of two one-year options for the period of July 1, 2015 to June 30, 2016 and increasing the amount by \$399,256, for a new total contract amount not to exceed \$1,887,679.

8. <u>Award Contract 50049 - Swap Advisory Services - Swap Financial, LLC - \$1,500,000</u>

No. 15-0117

Resolution awarding Contract No. 50049, for a term of five years to Swap Financial Group, LLC to provide Swap Advisory Services for Airport debt and financing plans in a total amount not to exceed \$1,500,000.

9. Award Contract 50048 - Tax Advisory and Arbitrage Rebate Calculations Services -

BLX Group LLC - \$725,000

No. 15-0118

Resolution awarding Contract 50048 for a term of five years to BLX Group LLC to provide Tax Advisory and Arbitrage Rebate Calculation Services in a total amount not to exceed \$725,000.

10. Modification No. 2 to the Agreement for Operation, Administration, and Management of the SFO Medical Clinic - Dignity Health, dba St. Mary's Medical Center - \$1,279,242

No. 15-0119

Resolution approving Modification No. 2 to Contract 9088 with Dignity Health, dba St. Mary's Medical Center for the operation, administration, and management of the SFO Medical Clinic to 1) Exercise the first of three one-year options; and 2) Increase the total compensation payable by \$1,279,242 for a new total not to exceed amount of \$4,943,858.

 Modification No.3 to Professional Services Contract No. 9239 - Provide Continued International Aviation Marketing Services in Overseas Locations - San Francisco Travel Association - \$900,000

No. 15-0120

Resolution approving Modification No. 3 to PSC No. 9239 with the S.F. Travel Association to extend the term of agreement for one year thru June 30, 2016, and to increase the amount by \$900,000 for a new total not-to-exceed amount of \$3,600,000 for continued International Aviation Marketing services in overseas locations. All other terms and conditions of the contract remain in full force and effect.

12. <u>Modification No. 2 to Professional Services Contract No. 9270 - Provide Continued International Aviation Marketing Services in Overseas Locations - Hill+Knowlton Strategies - \$200,000</u>

No. 15-0121

Resolution approving Modification No. 2 to PSC No. 9270 with Hill+ Knowlton Strategies to extend the term of agreement for one year thru June 30, 2016, and increase the amount by \$200,000 for a new total not-to-exceed amount of \$800,000 for continued International Aviation Marketing Services in overseas locations. All other terms and conditions of the contract remain in full force and effect.

13. Commencement of the Request for Proposals Process for the International

Terminal Specialty Retail Store Lease

No. 15-0122 Resolution approving the proposed minimum

qualification requirements and lease specifications, and authorizing staff to issue a Request for Proposals and conduct an informational conference for the International Terminal Specialty Retail Store Lease.

14. Exercise the Two-Year Option to Extend under Wells Fargo Bank, N.A.'s Domestic Terminals Automated Teller Machines Lease "A" - Lease No. 09-0267

No. 15-0123 Resolution exercising the two-year option to extend

under Wells Fargo Bank, N.A.'s Domestic Terminals Automated Teller Machines Lease A - No. 09-0267, for an option term of Oct. 12, 2015 thru Oct. 11, 2017.

15. Exercise the Two-Year Option to Extend Under JPMorgan Chase Bank, N.A.'s Domestic Terminals Automated Teller Machines Lease "B" - Lease No. 09-0268

No. 15-0124 Resolution exercising the two-year option under

JPMorgan Chase Bank N.A.'s Domestic Terminals Automated Teller Machines Lease B - No. 9-0268, for an option term of Nov. 11, 2015 thru Nov. 10, 2017.

16. Exercise the Two-Year Option Under Airport Mailer, Inc.'s Security Checkpoint Mail Service Lease No. 13-0036

No. 15-0125 Resolution exercising the two-year option to extend

the lease term under Airport Mailer, Inc.'s Security Checkpoint Mail, Service Lease No. 13-0036, for an option term of April 1, 2016 thru March 31, 2018.

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H. NEW BUSINESS:

Discussion only. This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to two (2) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone and submit it to the Commission Secretary.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission

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J. CLOSED SESSION:

There are no planned agenda items for a Closed Session for the current meeting.

In the event of any urgent matter requiring immediate action which has come to the attention of the Airport Commission after the agenda was issued and which is an item appropriately addressed in Closed Session, the Airport Commission may discuss and vote whether to conduct a Closed Session under Brown Act (California Government Code Sections 54954.2(b)(2) and 54954.5) and Sunshine Ordinance (San Francisco Administrative Code Section 67.11).

If the Airport Commission enters Closed Session under such circumstances, the Airport Commission will discuss and vote whether to disclose action taken or discussions held in Closed Session under the Brown Act (California Government Code Section 54957.1) and Sunshine Ordinance (San Francisco Administrative Code Section 67.12).

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K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:25 AM.

(Original signed by: Jean Caramatti)
Jean Caramatti
Commission Secretary