

File No. 101213

Committee Item No. 1  
Board Item No. 22

## COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: October 20, 2010

Board of Supervisors Meeting

Date October 26, 2010

### Cmte Board

- |                                     |                                     |  |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                     |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                             |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget Analyst Report                          |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Analyst Report                     |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ethics Form 126                                |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form (for hearings)               |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report * |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                         |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                             |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement *                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                          |

### OTHER

(Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Victor Young  
Completed by: Victor Young

Date: October 15, 2010  
Date: 10/20/10

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

2011  
2012

(

(

(

1 [Airline/Airport 2011 Lease and Use Agreement]

2  
3 **Approving six new Airline/Airport Lease and Use Agreements between the City and**  
4 **County of San Francisco and various airlines, effective July 1, 2011, to allow such**  
5 **Airlines to conduct domestic and international flight operations at San Francisco**  
6 **International Airport.**

7  
8 WHEREAS, Various airlines conduct flight operations at San Francisco International  
9 Airport (the "Airport") pursuant to Airline/Airport Lease and Use Agreements, or Airline  
10 Operating Permits (collectively, the "Agreements"), including: Alaska Airlines, Inc. – L82 -  
11 0314; Continental Airlines, Inc.-L-82-0316, Kalitta Air, LLC – Permit 3862; Nippon Cargo  
12 Airlines Company, Inc. – Permit 2037; Southern Air, Inc. – Permit 3857; and US Airways, Inc.  
13 – Permit 3977; (collectively, the "Airlines"); and

14 WHEREAS, The Airport Commission of the City and County of San Francisco (the  
15 "City") and Airlines have negotiated a new Lease and Use Agreement to take effect  
16 July 1, 2011 (the "Lease") for a term of ten (10) years to provide for the continuation of flight  
17 operations by the Airlines at the Airport; and

18 WHEREAS, The above referenced Airlines desire to lease from City and City desires to  
19 lease the said Airlines certain premises at the Airport, as described on Attachment A hereto;  
20 and

21 WHEREAS, The City also desires to authorize the Airport Director to enter into non-  
22 material modifications to the Leases, including changes to the demised premises of not-to-  
23 exceed ten percent (10%) of the leased square footage, that the Commission, in consultation  
24 with the City Attorney, determines are in the best interests of the Commission and necessary

1 to effectuate the purposes of the Leases and are in compliance with all applicable laws,  
2 including the City's Charter; and

3 WHEREAS, the Commission adopted Resolutions on August 17, 2010, approving the  
4 new Leases between the Airlines and the City, and authorizing the Airport Director to execute  
5 the new Leases, subject to the Airlines complying with Chapter 12B of the City's  
6 Administrative Code and other City contracting requirements, or obtaining the appropriate  
7 waivers thereto, specifically as follows: Alaska Airlines, Inc. – L10-0274 by Resolution  
8 No. 10-0274; Continental – L10-0275 by Resolution 10-0275; Kalitta Air, LLC – L10-0277 by  
9 Resolution No. 10-0277; Nippon Cargo Airlines Company, Inc. – L10-0278 by Resolution No.  
10 10-278; Southern Air, Inc. – L10-0279 by Resolution No. 10-0279; and US Airways, Inc. –  
11 L10-0276 by Resolution No. 10-276, and

12 WHEREAS, a copy of the form of the 2011 Lease and Use Agreement is on file with  
13 the Clerk of the Board of Supervisors in File No. 208-10, which is hereby declared to be a part  
14 of this resolution as if set forth fully herein; now, therefore, be it

15 RESOLVED, that this Board of Supervisors approves the new Leases with Alaska  
16 Airlines, Inc.– L10-0274, Continental Airlines, Inc. – L10-0275; Kalitta Air, LLC – L10-0277;  
17 Nippon Cargo Airlines Company, Inc. – L10-0278; Southern Air, Inc. – L10-0279 and US  
18 Airways, Inc. L10-0276, subject to the Airlines complying with Chapter 12B of the City's  
19 Administrative Code and other City contracting requirements, or obtaining the appropriate  
20 waivers thereto; and, be it further

21 RESOLVED, that this Board of Supervisors authorizes the Airport Director to enter into  
22 non-material modifications to the Leases, including changes to the demised premises of not-  
23 to-exceed ten percent (10%) of the leased square footage, that the Commission, in  
24 consultation with the City Attorney, determines are in the best interests of the Commission  
25

1 and necessary to effectuate the purposes of the Leases and are in compliance with all  
2 applicable laws, including the City's Charter.

3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**ATTACHMENT A**

**Exclusive Use Space Summary (in square feet)**

	Airline	Categories of Rent				
		Cat I	Cat II	Cat III	Cat IV	Cat V
1	Alaska Airlines, Inc.	412	5,660	878	4,905	-
2	Continental Airlines, Inc.	921	12,500	11,139	7,543	4,949
3	U.S. Airways, Inc.	755	7,288	4,121	5,728	7,178
4	Kalitta Air, LLC	-	-	-	-	-
5	Nippon Cargo Airlines Company Limited	-	-	-	-	-
6	Southern Air, Inc.	-	-	-	-	-

**Joint Use Space (in square feet)**

Joint Use Space	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
<b><i>International Terminal</i></b>					
Total = 631,987 square feet	138,367	214,307	12,025	265,400	1,888
<b><i>Terminal 1</i></b>					
Total = 1,007 square feet	-	216	-	791	-

<b>Items 1 and 2 Files 10-1213 and 10-1214</b>	<b>Department(s): San Francisco International Airport</b>
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objective</b>	
<ul style="list-style-type: none"> <li>• <u>File 10-1213</u>: Resolution approving six new leases for a ten-year period from July 1, 2011 to June 30, 2021, between the San Francisco International Airport (Airport) and six airlines, including: (1) Alaska Airlines, Inc., (2) Continental Airlines, Inc., (3) US Airways, Inc., (4) Kalitta Air, LLC, (5) Nippon Cargo Airlines Company, Inc., and (6) Southern Air, Inc.</li> <li>• <u>File 10-1214</u>: Resolution approving modifications to two existing leases which will expire on June 30, 2011, between the Airport and Alaska Airlines, Inc. and Continental Airlines, Inc.</li> </ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• The rate and fee schedule, which is used to calculate the total rent paid by each airline, is determined by the Airport's "breakeven policy," or the residual rate setting methodology, which places the financial risk of balancing the Airport's budget on the airlines instead of the Airport, by allowing for automatic rent increases to the airlines to eliminate any Airport budgetary shortfalls.</li> <li>• The proposed resolution (File No. 1213) would approve the following six significant changes: (1) require airlines to submit all required landing fee payments 30 days earlier than they are due under the existing leases, (2) reduce security deposits required for four of the six airlines, (3) allow the airlines to request a one-time space reduction, on July 1, 2016, (4) consider the new leases for terminal space in default if an airline defaults on any other lease for non-terminal Airport space, (5) increase the insurance requirements, and (6) increase environmental protections.</li> <li>• The proposed resolution approving six new airline leases (File 10-1213) contain the same terms as leases for 25 airlines at the Airport, which were previously approved by the Board of Supervisors in May 2010 (File 10-351).</li> </ul>	
<b>Fiscal Impacts</b>	
<ul style="list-style-type: none"> <li>• Under the terms of the proposed six new leases (File 10-1213), the Airport anticipates receiving \$355,390,000 of lease revenues from the six airlines over the ten-year term. The proposed modifications to two existing leases (File 10-1214) would reduce the overall space leased to these two airlines by 37,391 square feet, or 5.1 percent. Together, these two resolutions would result in \$907,365 of reduced rent payable (see pages 7 and 8) to the Airport, which would be fully offset by increased rates to all airlines through the Airport's breakeven policy.</li> </ul>	
<b>Recommendations</b>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolutions.</li> </ul>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

Section 2A.173 of the City's Administrative Code authorizes the Airport to negotiate and execute leases of Airport lands and space in Airport buildings without undergoing a competitive bid process, as long as the original term of the lease does not exceed 50 years.

City Charter Section 9.118 (a) requires the Board of Supervisors approve any contract which would result in revenues to the City in excess of \$1,000,000.

**Residual Rate Setting Methodology**

Under the proposed leases, the Airport uses a "breakeven policy" known as the residual rate setting methodology to determine the rental rates, landing fees, and related fees used to calculate the total rent to be paid by each airline for use of Airport terminal space. The rental rates, landing fees, and related fees include (a) the cost per square foot charged to an airline for that airline's exclusive use of Airport space, (b) fees for use of space which is shared by multiple airlines, and (c) various non-space related fees, such as landing fees and aircraft parking fees. Those rental rates, landing fees, and related fees are then used to calculate the total rent payable by each airline to the Airport, such that while the total rent payable by each airline may differ due to (a) the amount of space leased, (b) the type of space leased, and (c) passenger and aircraft traffic, no airline has preferable lease terms over another airline.

The residual rate setting methodology is a formula which sets the schedule of all rental rates, landing fees, and related fees to a level which ensures that Airport revenues received from the airlines, plus the non-airline revenues received by the Airport, are equal to the Airport's total costs, including debt service and operating expenditures. According to this methodology, prior to the beginning of each fiscal year, the Airport first determines the total airline rent revenues needed to balance the Airport's budget in the upcoming year, after considering all other non-airline revenue sources (such as concession revenues and parking revenues) and carrying forward any projected budget shortfall or surplus from the current fiscal year. The amount needed to balance the Airport's budget then becomes the basis for calculating, by a formula specified in the lease, the rental rates, landing fees, and related fees charged to airlines in the upcoming year, such that the total revenues paid to the Airport by all airlines in the upcoming year is sufficient to balance the Airport's budget. At the end of the fiscal year, any budget shortfall or surplus is carried forward into the following fiscal year and is used in the calculation of the new rental rates, landing fees, and related fees charged to the airlines.

**Existing Leases**

According to Mr. Gary Franzella, Associate Deputy Airport Director, there are currently 60 airlines that have active operating leases or permits with the Airport, which allow each airline to conduct domestic and international flight operations at the Airport. Airlines without leases, but have permits, are non-signatory airlines, which according to Mr. Franzella, operate at the Airport under Airline Operating Permits and Terminal Space and Use Permits on a month-to-



month basis and, currently pay the same rental rates, landing fees, and related fees as airlines with leases (signatory airlines), as calculated by the residual rate setting methodology. Mr. Franzella notes that the main difference is that signatory airlines are included in the Airport's capital project approval process while non-signatory airlines are not. Mr. Franzella noted that these non-signatory airlines are not required to enter into leases with the Airport because, pursuant to Federal law, the Airport cannot prohibit airlines from operating at the Airport. Mr. Franzella stated that non-signatory airlines generally have not entered into leases with the Airport because, despite being offered leases by the Airport, there is currently no financial incentive to enter into a lease.

There are currently 24 airlines which have existing leases with the Airport. All current leases will expire on June 30, 2011. These leases were entered into either in 1981 or 1999, depending on when the airline decided to obtain a lease at the Airport. The airline leases entered into in 1999 are essentially an update to the leases entered into in 1981, with several provisions added to comply with the City's regulations that were approved between 1981 and 1999. The leases entered into in 1999 were only offered to international airlines because the International Terminal at the Airport became operational in 2000. The 24 airlines with existing leases each pay rent based on the same rental rates, landing fees, and related fees, all of which are established by the Airport each fiscal year. The total amount paid by each airline differs only due to the (a) square footage of the area occupied, (b) type of space occupied, (c) maximum landing weight of each aircraft landed, and (d) number of passengers. As such, no airline has preferable lease terms to any other airline.

Because all current leases will expire on June 30, 2011, the Airport has undertaken efforts to have as many airlines maintain or obtain signatory status by signing a 2011 Lease and Use Agreement, which would be effective from July 1, 2011 to June 30, 2021. As an incentive to becoming a signatory airline or maintaining signatory status, the Airport also offered participating airlines the opportunity to right-size their leased space in their current leases which expire June 30, 2011. In May 2010, the Board of Supervisors approved new leases with 25 airlines and 19 airlines took advantage of the right-sizing opportunity and reduced their leased space (File 10-351).

The proposed resolution (File 10-1213) would approve six new airline leases with (1) Alaska Airlines, Inc., (2) Continental Airlines, Inc., (3) US Airways, Inc., (4) Kalitta Air, LLC, (5) Nippon Cargo Airlines Company, Inc., and (6) Southern Air, Inc. Currently, Alaska Airlines and Continental Airlines have existing leases with the Airport which were entered into in 1981, Kalitta Air, Nippon Cargo Airlines, Southern Air, and US Airways have Airline Operating Permits and are non-signatory airlines. US Airways currently has a month-to-month permit and was given the opportunity to right-size its permitted spaces if it agreed to the 2011 Lease and Use Agreement in February 2010 and became a signatory airline.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 10-1213) would approve six new leases for a ten-year period between July 1, 2011 and June 30, 2021, between the San Francisco International Airport

(Airport) and six airlines to conduct domestic and international flight operations at the Airport. The six new leases are with the following airlines: (1) Alaska Airlines, Inc., (2) Continental Airlines, Inc., (3) US Airways, Inc., (4) Kalitta Air, LLC, (5) Nippon Cargo Airlines Company, Inc., and (6) Southern Air, Inc. Three of the proposed new leases (Alaska Airlines, Continental Airlines, and US Airways) would provide both landing rights and terminal space. The remaining three proposed new leases (Kalitta Air, Nippon Cargo Airlines, and Southern Air) are cargo-only airlines, which would only provide landing rights.<sup>1</sup>

The proposed resolution (File 10-1214) would approve modifications to two existing leases between the Airport and Continental Airlines and Alaska Airlines, which will expire on June 30, 2011. These two airlines will have new leases under File 10-1213.

### **Six New Airport Leases (File 10-1213)**

The proposed resolution (File 10-1213) would approve six new leases to provide terms under which these six airlines would use terminal space and/or have landing rights at the Airport. Each of the proposed six new leases is for a ten-year term, from July 1, 2011 through June 30, 2021. Under these new leases, each airline would pay the Airport revenues based on the rental rates, landing fees, and related fees calculated under the same residual rate setting methodology included in the existing leases. The only differences between the individual new leases would be (a) the name of each airline, and (b) the amount of space allocated to each airline. Because these leases function identically, they are discussed in combination as the “new leases,” rather than in six separate descriptions.

In addition to continuing the residual rate setting methodology (breakeven policy), the proposed new leases would also continue to require that the rental rates, landing fees, and related fees be sufficient to guarantee that the Airport’s Annual Service Payment to the City’s General Fund will not be less than \$5,000,000. The Annual Service Payment made by the Airport to the City is equal to the greater of (a) 15 percent of concession revenues<sup>2</sup>, or (b) \$5,000,000. In the event that 15 percent of concession revenues is less than \$5,000,000, the Airport pays the City’s General Fund \$5,000,000, and the Airport recaptures the difference between the \$5,000,000 and 15 percent of concession revenues the following fiscal year through increased rental rates, landing fees, and related fees charged to the airlines as calculated by the residual rate setting methodology. Notably, the Airport’s 15 percent of concession revenue has exceeded \$5,000,000 every year since 1982. In FY 2010-2011, the Annual Service Payment to the City’s General Fund was budgeted at \$27,371,000.

There are six material differences between the existing leases and the proposed new leases that would impact Airline lessees as follows:

#### **1. Landing Fees To Be Paid 30 Days Earlier**

<sup>1</sup> The leases for the cargo-only airlines involve only landing rights and not terminal space. Cargo-only airlines have a separate type of lease that allows them to lease warehouses, office space, ground service equipment maintenance building, etc. The subject leases allow the cargo-only airlines to operate (land and take-off) at the Airport.

<sup>2</sup> Concession revenues are defined in the lease as those revenues paid to the Airport by non-airline entities such as newsstands, restaurants, bars, advertisers, and ground transportation operators.

Under the terms of the proposed leases, all six airlines would be required to submit all required landing fees to the Airport 30 days earlier than they are due under the terms of the existing leases. Currently, each airline must submit the number of monthly landings to the Airport by the 10<sup>th</sup> of the following month. Invoices for the landing fees are then processed and sent to each airline with a 30 day payment deadline. The new provision would require immediate payment of the invoices sent to the airlines. According to Mr. Franzella, this new provision benefits the Airport by reducing the amount of outstanding landing fees at any given time, thus reducing the Airport's risk of financial loss in the event that an airline files for bankruptcy.

## 2. Security Deposit Requirement to Be Decreased

The proposed new leases would require all six airlines to submit security deposits equal to two months of rent. Previously, leases that were executed in 1981 (Alaska Airlines and Continental Airlines) required airlines to provide the Airport with security deposits equal to two months of rent, and airlines with operating permits (Kalitta Air, Nippon Cargo Airlines, Southern Air, and US Airways) required airlines to provide the Airport with security deposits equal to six months of rent. The proposed new requirement is comparable to the 1981 executed leases but represents a reduction of four months in the required security deposit when compared to the operating permit requirements.

According to Mr. Franzella, the security deposits are intended to reimburse the Airport for losses which might occur in the event an airline is unable to pay rent or otherwise cause financial harm to the Airport. Mr. Franzella noted that a reduction in the security deposits does not increase the overall risk of financial loss to the Airport because, under the residual rate setting methodology, any budgetary shortfalls resulting from an airline's inability to pay rent would result in increases to the rental rates, landing fees, and related fees sufficient to offset such shortfalls.

## 3. Airlines to Have a One-Time Option to Reduce Exclusive-Use Space

Under the existing leases, airlines cannot reduce the amount of exclusive-use<sup>3</sup> space in their lease. According to Mr. Franzella, this has resulted in underutilized space which was leased by airlines which have since reduced their flight operations and therefore their need for space at the Airport. The proposed leases would allow airlines to reduce the amount of leased exclusive-use space only one time, by up to 20 percent, on July 1, 2016. In the proposed resolution (File 10-1213), the three cargo-only airlines (Kalitta Air, Nippon Cargo Airlines, and Southern Air) would not be eligible for this one-time option because these cargo-only airlines would not be leasing any terminal space.

## 4. Airport to Have Additional Protections In The Event Of an Airline Lease Default

In addition to leases for airlines' use of terminal space, most airlines have separate leases for space on Airport land that is outside the terminal, such as hangar space, flight kitchens, and cargo buildings. For leases which were executed in 1981 for terminal space (Alaska Airlines and Continental Airlines), any default by an airline on its lease for non-terminal space has no effect

---

<sup>3</sup> Exclusive-use space is space that is leased to a single airline and charged on a per square-foot basis. Offices, clubs, lounges, ticket counters, and baggage handling space in domestic terminals comprise exclusive-use space.

on the lease for terminal space. Under the proposed leases for terminal space, if an airline defaults under any of its other leases for non-terminal space with the Airport, it would trigger default of the proposed lease for terminal space between that airline and the Airport. According to Mr. Franzella, this provides additional leverage to the Airport over airlines to enforce the terms of their other leases, and prevents an airline in bankruptcy from selectively keeping only those leases that the airline wishes to maintain.

#### 5. Airline Insurance Requirements to Increase

Under the terms of the existing leases, all airlines are required to have \$25,000,000 in general liability insurance. Under the terms of the proposed leases, the six airlines would be required to maintain higher amounts and more specific types of insurance, including the following:

- (a) \$500,000,000 in aircraft liability insurance which provides coverage to both the airline and the Airport in the event of injury or property damage which results from airline activity, excluding injury or damage which occurs during acts of war,
- (b) \$100,000,000 in war and named perils insurance, which provides coverage for injury or property damage from airline activity which occur during war and other related events (or "named perils") and excluded from aircraft liability insurance discussed above,
- (c) \$2,000,000 in worker's compensation and employer's liability insurance, which is required by the State of California, with such insurance providing coverage to the airline for injuries sustained by employees,
- (d) \$2,000,000 in commercial auto insurance, which is also required by the State of California, with such insurance providing liability coverage for injuries and damage which occur resulting from the operation of vehicles at the Airport, and
- (e) property insurance in the amount of any improvements constructed by the airlines, which insures the airline against property damage which occurs from fire, flood, or other similar causes, except earthquakes.

According to Mr. Franzella, although these new insurance requirements are not directly comparable to the insurance requirements under the existing leases, the new requirements (a) better address the specific risks of concern to the Airport, and (b) reflect changes in the insurance industry which have occurred since the existing leases were written in 1981 and 1999. Mr. Franzella added that any damages which might occur which are not covered by the required insurance provisions would result in higher rental rates, landing fees, and related fees charged to the airlines under the Airport's residual rate setting methodology.

#### 6. Environmental Protections to Increase

Leases which were executed in 1981 do not address the handling of hazardous materials, and leases executed in 1999 had limited restrictions on airline's handling of hazardous materials. The proposed six new leases would provide for a number of increased environmental protections, including (a) expanding the definition of "environmental law" to include decisional law, also referred to as case law, (b) requiring airlines to investigate and remediate any release of

hazardous materials, (c) providing the Airport access to any premises for environmental inspections, and (d) clarifying that the airlines are fully responsible and liable for all costs attributable to hazardous materials resulting from airline activities.

In addition to the six differences discussed above which would impact the airlines with leases with the Airport, the proposed six new leases would require non-signatory airlines to pay a 25 percent premium on landing fees above the landing fees paid by the 25 airlines who will be under lease with the Airport, such that there would be a financial incentive for “non-signatory” airlines to enter into a lease with the Airport.

### Modifications to Two Existing Leases (File 10-1214)

The other proposed resolution (File 10-1214) would approve modifications to two existing leases between the Airport and Alaska Airlines and Continental Airlines, which will expire on June 30, 2011. According to Mr. Franzella, as part of an incentive to airlines for agreeing to the new 2011 Lease and Use Agreements by February 2010, which would be effective from July 1, 2011 to June 30, 2021, the Airport offered all airlines the opportunity to reduce each airline’s current rental space in a “right-sizing” effort from their leased space. Two airlines, Alaska Airlines and Continental Airlines, agreed to new 2011 Lease and Use Agreements with the Airport in February 2010 and are now requesting lease modifications to right-size their current rental space.

According to data provided by the Airport, the proposed resolution would result in a reduction of 37,391 square feet or 5.1 percent of leased space, as shown in Table 1 below.

	Total Sq. Ft. Under Existing Leases	Total Sq. Ft. Under Proposed Lease Modifications	Increase or (Decrease)	Percent Change
Exclusive-Use Space	73,857	48,907	(24,950)	-33.8%
Shared-Use Space	657,461	645,020	(12,441)	-1.9%
<b>Total Leased Space</b>	<b>731,318</b>	<b>693,927</b>	<b>(37,391)</b>	<b>-5.1%</b>

According to Mr. Franzella, both Alaska Airlines and Continental Airlines have requested to reduce exclusive-use space and shared-use space. Based on a total reduction of 37,391 square feet of exclusive-use and shared-use space, and assuming an effective date of November 1, 2010, the Airport will receive an estimated reduced rent of \$767,027 in FY 2010-2011 from the two airlines, including (a) \$79,251 in reduced rent from Alaska Airlines and (b) \$687,776 in reduced rent from Continental Airlines, as shown in Table 2 below.

In addition, although not part of the proposed resolution (File 10-1214), US Airways has also requested to reduce its permitted space at the Airport. As mentioned above, US Airways is currently a non-signatory airline and operates on a month-to-month permit basis. Because US Airways will become a signatory airline with the 2011 Lease and Use Agreement, the Airport allowed US Airways the opportunity to reduce its permitted space at the Airport. US Airways

will reduce its current permitted space by 4,781 square feet resulting in reduced rent payable to the Airport of \$140,338, as shown in Table 2 below.

<b>Airline</b>	<b>FY 2010-2011 Current Rental Revenue Paid to the Airport</b>	<b>FY 2010-2011 Modified Rental Revenue Paid to the Airport***</b>	<b>Reduced Rental Revenue Payable to the Airlines</b>
Alaska Airlines*	\$ 6,009,450	\$ 5,930,199	\$ 79,251
Continental Airlines*	8,269,248	7,581,472	687,776
US Airways**	7,574,580	7,434,242	140,338
<b>Total</b>	<b>\$ 21,853,278</b>	<b>\$ 20,945,913</b>	<b>\$ 907,365</b>

\* Alaska Airlines and Continental Airlines are currently signatory airlines and because they have leases with the Airport, lease modifications require resolutions subject to Board of Supervisors' approval.

\*\* US Airways currently operates on a month-to-month permit basis and not on a lease. US Airways will become a signatory airline with the 2011 Lease (File 10-1213). Because US Airways agreed to a lease with the Airport, US Airways was allowed to reduce its current permitted space by 4,781 square feet.

\*\*\* Assumes an effective date of November 1, 2010 for the proposed lease modifications.

The total reduced rent to the Airport from Alaska Airlines (\$79,251), Continental Airlines (\$687,776), and US Airways (\$140,338), is \$907,365. However, as discussed above, such reductions in space will not result in reduced overall revenues to the Airport because the rental rates and fees paid by all airlines will be increased automatically under the Airport's residual rate setting methodology to fully offset the anticipated \$907,365 in reduced rental revenues, if the Airport is unable to find tenants for such vacated space.

The proposed resolution would also add several non-material modifications to bring each of these two leases into compliance with all applicable laws, including the Pesticide Prohibition, Tobacco Advertising Prohibition, and the First Source Hiring Ordinance.

## FISCAL IMPACT

As shown in Table 3 below, the proposed six new lease agreements are estimated by the Airport to provide \$355,390,000 in total revenues to the Airport, over the ten-year lease term from July 1, 2011 through June 30, 2021.

<b>Fiscal Year</b>	<b>Estimated Total Rent Paid Under the Six Proposed Leases</b>
2011-2012	\$ 24,627,000
2012-2013	28,080,000
2013-2014	31,444,000
2014-2015	33,912,000
2015-2016	36,354,000
2016-2017	37,597,000
2017-2018	38,814,000
2018-2019	40,181,000
2019-2020	41,576,000
2020-2021	42,805,000
<b>Total</b>	<b>\$ 355,390,000</b>

As discussed above, the revenues generated by both the current and proposed leases are calculated by the Airport's residual rate setting methodology (breakeven policy), such that the proposed new leases and modifications would continue to result in the Airport's budget being fully balanced by the revenues paid by the airlines to the Airport, after considering the Airport's budgeted expenditures and all non-airline revenues.

## RECOMMENDATIONS

Approve the proposed resolutions.



San Francisco International Airport

P.O. Box 8097  
San Francisco, CA 94128  
Tel 650.821.5000  
Fax 650.821.5000  
www.flysfo.com

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2009 SEP 15 PM 1:39

September 7, 2010

Ms. Angela Calvillo, Clerk of the Board  
Board of Supervisors  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102-4689

AIRPORT  
COMMISSION  
CITY AND COUNTY  
OF SAN FRANCISCO

GAVIN NEWSOM  
MAYOR

LARRY MAZZOLA  
PRESIDENT

LINDA S. CRAYTON  
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN  
AIRPORT DIRECTOR

**Subject: Approval of New Lease and Use Agreements between Various Airlines that Conduct Flight Operations at San Francisco International Airport and the City and County of San Francisco, acting by and through its Airport Commission**

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval of six (6) new Lease and Use Agreements (the "Lease"), to be effective July 1, 2011, between the City and County of San Francisco, acting by and through its Airport Commission, and various domestic and cargo airlines that conduct flight operations at San Francisco International Airport, as described on Attachment A hereto. The Leases were approved by Airport Commission Resolution Nos. 10-0274 through 10-0279, adopted August 17, 2010.

On March 16, 2010, and May 11, 2010, the 2011 Lease between the City and twenty five airlines was approved by the Airport Commission and Board of Supervisors, respectively. The Airport has since offered the 2011 Lease to all remaining airlines that wish to maintain or obtain signatory status at the Airport. Staff is seeking Board of Supervisors approval for three (3) additional passenger airlines and three (3) cargo only airlines. The Leases for passenger airlines provide for rental of approximately seventy three thousand nine hundred seventy seven (73,977) square feet of Exclusive Use Space, one hundred seventy four thousand seven hundred seventy three (174,773) square feet of Preferential Use Space, and six hundred thirty two thousand nine hundred ninety four (632,994) square feet of Joint Use Space in the domestic and international terminals. The term of the Lease is ten (10) years and has a projected annual rent of \$6,951,216.00 based on estimated Rates and Charges for Fiscal Year 2011/2012.

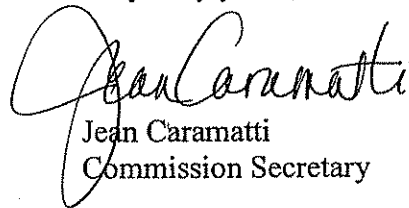


The following is a list of accompanying documents (five sets):

- Board of Supervisors Resolution; and
- Approved Airport Commission Resolutions No. 10-0274 through 10-0279; and
- Commission Memorandum; and
- Form SFEC-126: Notification of Contract Approval

A sample of the form of the 2011 Lease may be provided via email. You may contact Gary Franzella of the Airport Aviation Management Department at (650) 821-4525 regarding this matter.

Very truly yours,



Jean Caramatti  
Commission Secretary

Enclosures

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0274

**APPROVAL OF LEASE AND USE AGREEMENT WITH ALASKA AIRLINES, INC.  
PROVIDING FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN  
FRANCISCO INTERNATIONAL AIRPORT.**

**WHEREAS,** Alaska Airlines, Inc. ("Airline") conducts flight operations at San Francisco International Airport (the "Airport") pursuant to Airline Airport Lease and Use Agreement L82-0314; and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the "2011 Lease"); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport's Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the "Commission") and Airline now desire to enter into the 2011 Lease; and

**WHEREAS,** in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City's Charter; now, therefore, be it

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City's Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further


**RESOLVED,** that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors' approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*

*at its meeting of* \_\_\_\_\_

**AUG 17 2010**

  
\_\_\_\_\_  
Secretary

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0275

**APPROVAL OF LEASE AND USE AGREEMENT WITH CONTINENTAL AIRLINES, INC.  
PROVIDING FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN  
FRANCISCO INTERNATIONAL AIRPORT.**

**WHEREAS,** Continental Airlines, Inc. ("Airline") conducts flight operations at San Francisco International Airport (the "Airport") pursuant to Airline Airport Lease and Use Agreement L82-0316; and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the "2011 Lease"); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport's Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the "Commission") and Airline now desire to enter into the 2011 Lease; and

**WHEREAS,** in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City's Charter; now, therefore, be it

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City's Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

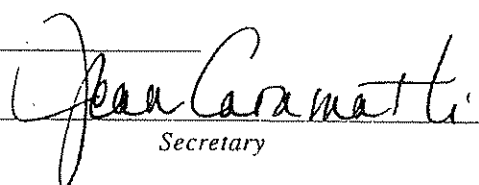
**RESOLVED,** that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors' approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*

*at its meeting of* \_\_\_\_\_

**AUG 17 2010**

  
Secretary

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. **10-0276**

**APPROVAL OF LEASE AND USE AGREEMENT WITH U.S. AIRWAYS, INC.  
PROVIDING FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN  
FRANCISCO INTERNATIONAL AIRPORT.**

**WHEREAS,** U.S. Airways, Inc. ("Airline") conducts flight operations at San Francisco International Airport (the "Airport") pursuant to Airline Operating Permit 3977; and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the "2011 Lease"); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport's Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the "Commission") and Airline now desire to enter into the 2011 Lease; and

**WHEREAS,** in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City's Charter; now, therefore, be it

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City's Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

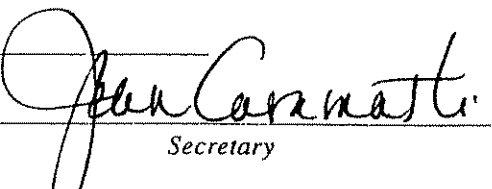
**RESOLVED,** that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors' approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*

*at its meeting of* \_\_\_\_\_

**AUG 17 2010**

  
\_\_\_\_\_  
Secretary

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0277

**APPROVAL OF LEASE AND USE AGREEMENT WITH KALITTA AIR, LLC  
PROVIDING FOR OPERATING RIGHTS AT SAN FRANCISCO INTERNATIONAL  
AIRPORT.**

**WHEREAS,** Kalitta Air, LLC (“Airline”) conducts flight operations at San Francisco International Airport (the “Airport”) pursuant to Airline Airport Lease and Use Agreement 3862; and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “2011 Lease”); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and

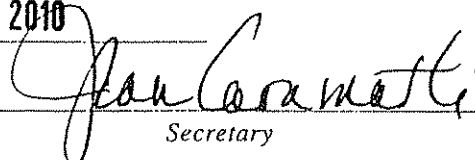
**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “Commission”) and Airline now desire to enter into the 2011 Lease; and

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of \_\_\_\_\_*

**AUG 17 2010**

  
Secretary

**AIRPORT COMMISSION**

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0278

**APPROVAL OF LEASE AND USE AGREEMENT WITH NIPPON CARGO AIRLINES COMPANY, INC. PROVIDING FOR OPERATING RIGHTS AT SAN FRANCISCO INTERNATIONAL AIRPORT.**

**WHEREAS,** Nippon Cargo Airlines Company Limited (“**Airline**”) conducts flight operations at San Francisco International Airport (the “**Airport**”) pursuant to Airline Operating Permit 2037; and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “**2011 Lease**”); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “**Commission**”) and Airline now desire to enter into the 2011 Lease; and

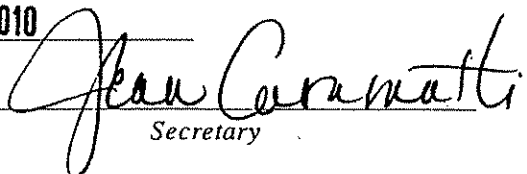
**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*

*at its meeting of* \_\_\_\_\_

**AUG 17 2010**

  
\_\_\_\_\_  
Secretary

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

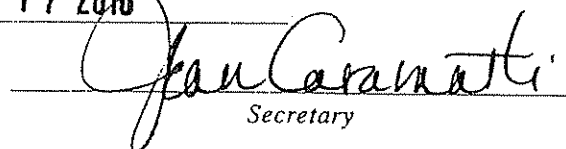
RESOLUTION NO. 10-0279

**APPROVAL OF LEASE AND USE AGREEMENT WITH SOUTHERN AIR, INC.  
PROVIDING FOR OPERATING RIGHTS AT SAN FRANCISCO INTERNATIONAL  
AIRPORT.**

- WHEREAS,** Southern Air, Inc. (“Airline”) conducts flight operations at San Francisco International Airport (the “Airport”) pursuant to Airline Operating Permit 3857; and
- WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “2011 Lease”); and
- WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and
- WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “Commission”) and Airline now desire to enter into the 2011 Lease; and
- RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further
- RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of \_\_\_\_\_

AUG 17 2010

  
Secretary





## MEMORANDUM

August 17, 2010

**TO: AIRPORT COMMISSION**  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns  
Hon. Richard J. Guggenlime

**FROM:** Airport Director

**SUBJECT: Approval of 2011 Airline Lease and Use Agreement**

**DIRECTOR'S RECOMMENDATION:** ADOPT THE ACCOMPANYING RESOLUTIONS THAT AUTHORIZE NEW LEASE AND USE AGREEMENTS, EFFECTIVE JULY 1, 2011, FOR SIX (6) AIRLINES OPERATING AT SAN FRANCISCO INTERNATIONAL AIRPORT.

### Executive Summary

On July 1, 2011, all 1981 Airline/Airport Lease and Use Agreements and 1999 Lease and Operating Agreements will expire. The Airport and airlines have negotiated a new Lease and Use Agreement to be effective July 1, 2011 (the "2011 Lease"). The 2011 Lease has a term of ten (10) years and continues the current residual rate-setting methodology with terminal rental rates and landing fees based on the Airport's Rates and Charges. Further, the 2011 Lease continues the Annual Service Payment to the City's General Fund. On March 16, 2010, and May 11, 2010, the 2011 Lease between the City and twenty five airlines was approved by the Airport Commission and Board of Supervisors, respectively.

The Airport has since offered the 2011 Lease to all remaining airlines that wish to maintain or obtain signatory status at the Airport. Staff is seeking Commission approval of the 2011 Lease with three (3) additional passenger airlines and three (3) cargo only carriers, contingent upon approval of the Board of Supervisors.

### Background

Most of the airlines operating at the San Francisco International Airport, (the "Airport") are parties to the 1981 Airline/Airport Lease and Use Agreement or the

THIS PRINT COVERS CALENDAR ITEM NO. \_\_\_\_\_

1999 Lease and Operating Agreement, all of which expire on June 30, 2011. Over the past several years, the Airport and airlines have negotiated the terms of the 2011 Lease, to be effective July 1, 2011, which has a term of ten (10) years and will continue the current residual rate-setting methodology with terminal rental rates and landing fees based on the Airport's Rates and Charges. Further detail on the major lease terms is provided on *Attachment A* hereto.

The 2011 Lease has been offered to all airlines that wish the opportunity to maintain or obtain signatory status at the Airport. On March 16, 2010 and May 11, 2010, the Airport Commission and Board of Supervisors, respectively, approved twenty five 2011 Leases with the airlines listed on *Attachment B* hereto, pursuant to Commission Resolutions 10-0075 through 10-0099 and Board of Supervisors Resolution 208-10, respectively.

Subsequent to the initial offering, six (6) additional airlines executed the 2011 Lease, including three (3) passenger airlines (Alaska Airlines, Inc., Continental Airlines, Inc. and U.S. Airways, Inc.) and three (3) cargo only airlines (Kalitta Air, LLC, Nippon Cargo Airlines Company Limited, and Southern Air, Inc.).

In order to facilitate the implementation of the new 2011 Leases, the resolutions also authorize the Airport Director, in consultation with the City Attorney, to sign the 2011 Leases, and enter into any additional non-material modifications (including changes to the demised premises not-to-exceed 10% of leased square footage) to the 2011 Lease as are in the City's best interest and do not otherwise materially increase the obligations or liabilities of the City and are necessary to effectuate the purposes of the 2011 Lease or Commission resolutions, and as are in compliance with all applicable laws, including the City Charter.

All of the airlines are obligated to be in compliance with or obtain an exemption from the requirements of the Equal Benefits Ordinance and other City contracting requirements, as applicable.

### **Forms of Agreement**

A form of agreement has been developed to accomplish the objectives set forth on Attachment A. The 2011 Lease will create the opportunity for all airlines that are currently non-signatory to become signatory airlines, such as Air New Zealand. The 2011 Lease will continue to be offered to all other airlines, including new entrants. The 2011 Leases executed by additional airlines subsequent to those approved today will be brought forward for Commission and Board of Supervisors' approval at various intervals in the future.

**Recommendation**

I recommend adoption of the accompanying resolutions that authorize the Director to execute a 2011 Lease with six (6) airlines, as summarized on Attachment C, and direct the Commission Secretary to request Board of Supervisors' approval of such leases in accordance with City Charter Section 9.118.

ORIGINAL SIGNED BY  
JOHN L. MARTIN

John L. Martin  
Airport Director

Prepared by: Leo Fermin  
Deputy Airport Director  
Business and Finance

Attachments

JLM/LF/GF/DA:jc  
bcc: Chron/File  
X:\PROJECTS\Lease & Use\Airport Commission\2011 Lease Agreements - Wave 2.doc

## ATTACHMENT A

### Basic Provisions of 2011 Lease & Use Agreement

The 2011 Lease continues many of the provisions of the current 1981 Lease and Use Agreement and the 1999 Lease and Operating Agreement, with some important improvements and updates, as summarized below:

#### TERM

- Ten (10) years, effective July 1, 2011 through June 30, 2021.
- Leases can be terminated by airlines upon certain extraordinary events such as destruction of the leased space or closure of the Airport.
- Each signatory airline will be given a mid-term option to surrender up to 20% of their Exclusive Use Space on July 1, 2016.

#### ANNUAL SERVICE PAYMENT

The 2011 Lease continues the Airport Commission's payment of the Annual Service Payment to the City's General Fund in the amount of fifteen percent (15%) of concession revenues.

#### TYPES OF SPACE

Space shall be leased in the following five (5) categories of space shown below:

Type	Category
Ticket Counters, Gate Holdrooms	I
Airline Ticket Office (ATO)	II
VIP Clubs and Lounges	II
Other Enclosed Space, Departure Level and above	II
Baggage Claim Lobbies	II
Baggage Service Offices	II
Curbside Check-in	II
Other Enclosed Space, Arrivals Level and below	III
Inbound/Outbound Baggage Handling Areas and Baggage Transfer Areas	IV
Equipment Rooms	IV
Unenclosed or Covered Area - Ramp Level	V

**A. Exclusive Use Space – International Terminal**

- Each 2011 Lease may include Exclusive Use Space consisting of ATO, baggage service office, ramp operations office, administrative office, VIP clubroom and/or other support space.
- Each 2011 Lease will incorporate the deletion of all Explosive Detection System (EDS) space, currently charged as Category IV rent to airlines for baggage screening.

**B. Exclusive Use Space – Domestic Terminals**

- Each 2011 Lease may include Exclusive Use Space consisting of ticket counter, ATO, baggage service office, ramp operations office, administrative office, VIP clubroom and/or other support space. The amount of Exclusive Use Space included in each 2011 Lease is described on *Attachment C*.
- Each 2011 Lease will incorporate the deletion of all Explosive Detection System (EDS) space, currently charged as Category IV rent to airlines for baggage screening.
- The 2011 Leases will no longer allow gate holdrooms to be leased on an exclusive use basis to airlines. All gate holdrooms in the domestic terminals will be used by airlines on a preferential or common use basis as further described below, thus allowing for the more efficient utilization of Airport resources and the accommodation of new entrants.

**C. Joint Use Space**

- Each 2011 Lease for space in the International Terminal will continue the current Joint Use structure for all airline shared operational space in the Airport's International Terminal, including ticket counters, holdrooms, baggage claim and FIS space, and baggage handling related areas, as shown on *Attachment C*.
- Scheduling of Joint Use Space in the International Terminal will continue to be managed by an airline consortium in accordance with established protocols with Airport oversight.
- Ticket counter check-in positions in the International Terminal assigned to each airline will be based on flight activity in accordance with current Ticket Counter Management Protocols. Assignments will continue to be managed by an airline consortium with Airport oversight.
- Certain 2011 Leases may include a Joint Use structure for designated airline shared operational space in the Airport's Domestic Terminals, including certain baggage claim, baggage handling and other shared areas in Terminals 1 and 2, as shown on *Attachment C*.

**D. Preferential Use Space – Domestic Terminals**

- Domestic Terminal gate holdrooms will convert from Exclusive Use Space under the current leases to a Preferential Use Gate system which will be leased to Signatory Airlines.

- Preferential Use Gates will be assigned annually to signatory airlines for domestic operations based upon their share of all scheduled seats in the previous month of August.
- The 2011 Lease allows the Airport to permit any airline to use a Preferential Use Gate during periods of time when it is not actively being used by the signatory airline to which it is assigned, thus promoting the efficient utilization of Airport resources and the accommodation of new entrants.

**E. Common-Use Gates – All Terminals**

- The 2011 Lease will provide the Airport an annual opportunity to designate Common Use Gates for domestic operations in both the Domestic and International Terminals to maintain flexibility. In no event may the number of designated Common Use Gates in Domestic Terminals exceed ten percent (10%) of the total number of Domestic Terminal gates.

**SECURITY DEPOSIT**

The 2011 Lease provides for a standardized security deposit requirement of two (2) months of terminal rent and landing fees, instead of the security deposits under current leases which vary from two to six months.

**RENTALS AND FEES**

All airlines will pay terminal rent based on square footage for Exclusive Use Space and Preferential Use Space, including ticket counters, gates and support facilities, as well as landing fees in accordance with Airport Rates and Charges, as adjusted from fiscal year to fiscal year commencing on July 1, 2011 through Fiscal Year 2020/21.

Terminal rent for Joint Use Space will continue to be charged on the basis of the current Joint Use Formula, with 20% of the charges divided equally among all airlines using each Joint Use Space and 80% of the charges allocated based on each airline's number of passengers compared to the total number of passengers of all airlines using the Joint Use Space facilities.

Terminal rent for Preferential Use Space will be charged on the basis the average gate holdroom square footage in the respective boarding area.

Airlines will pay per-use fees for use of Common Use space, such as ticket counters, gates and support facilities. These fees will be reviewed annually in connection with Airport Rates and Charges.

## **JANITORIAL RESPONSIBILITY**

In order to ensure a consistent appearance and uniform level of cleanliness in all public areas, the Airport will assume janitorial responsibility in the Domestic Terminals for all areas in full public view including gate holdrooms, baggage claim and Common Use areas. Individual airlines will be relieved of carpet replacement costs in the gate holdrooms and baggage claim areas.

The Airport will continue to provide janitorial service in the International Terminal and cease the "special charge" to the airline consortium as of FY11/12. All costs related to these services will be included within the Rates and Charges.

## **NON-SIGNATORY AIRLINES**

Any airline that does not sign the 2011 Lease will be considered a non-signatory airline and will be issued the appropriate Operating Permit and/or Space Permit, and be subject to the following impacts:

- A security deposit requirement equal to six (6) months of terminal rental and landing fees.
- A twenty-five percent (25%) premium on Landing Fees. Non-signatory airlines that are "Affiliate Airlines" of signatory airlines, as defined in the 2011 Lease, will pay the same Landing Fees as signatory airlines.
- Charges for the use of terminal space to support passenger operations will be applied in accordance with Common Use fees as established in Rates and Charges each Fiscal Year.
- Non-signatory airlines will not be eligible to lease Preferential Gates in Domestic Terminals, but may be accommodated at such gates if not actively in use by the applicable signatory airline, if Common Use gates are not available.

## ATTACHMENT B

### 2011 Leases Approved on March 16, 2010

	Airline	Lease No.
1	Air China Limited	L10-0075
2	Air France	L10-0076
3	All Nippon Airways Corporation, Limited	L10-0077
4	American Airlines, Inc.	L10-0078
5	Asiana Airlines	L10-0079
6	British Airways PLC	L10-0080
7	Cathay Pacific Airways Limited	L10-0081
8	China Airlines, Limited	L10-0082
9	Delta Air Lines, Inc.	L10-0083
10	Emirates	L10-0084
11	Eva Airways Corporation	L10-0085
12	Federal Express Corporation	L10-0086
13	Frontier Airlines, Inc.	L10-0087
14	Japan Airlines International	L10-0088
15	KLM Royal Dutch Airlines	L10-0089
16	Korean Airlines Co., Ltd.	L10-0090
17	Deutsche Lufthansa, AG, dba, Lufthansa German Airlines	L10-0091
18	Compañía Mexicana de Aviación S.A. de C.V. d/b/a Mexicana Airlines	L10-0092
19	Philippine Airlines, Inc.	L10-0093
20	Singapore Airlines Limited	L10-0094
21	Southwest Airlines, Co.	L10-0095
22	Taca International Airlines	L10-0096
23	United Air Lines, Inc.	L10-0097
24	Virgin America, Inc.	L10-0098
25	Virgin Atlantic Airways Limited Company	L10-0099



## ATTACHMENT C

### Exclusive Use Space Summary (in square feet)

	Airline	Categories of Rent				
		Cat I	Cat II	Cat III	Cat IV	Cat V
1	Alaska Airlines, Inc.	412	5,660	878	4,905	-
2	Continental Airlines, Inc.	921	12,500	11,139	7,543	4,949
3	U.S. Airways, Inc.	755	7,288	4,121	5,728	7,178
4	Kalitta Air, LLC	-	-	-	-	-
5	Nippon Cargo Airlines Company Limited	-	-	-	-	-
6	Southern Air, Inc.	-	-	-	-	-

### Joint Use Space (in square feet)

Joint Use Space	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
<i>International Terminal</i>					
Total = 631,987 square feet	138,367	214,307	12,025	265,400	1,888
<i>Terminal 1</i>					
Total = 1,007 square feet	-	216	-	791	-

**APPROVAL OF LEASE AND USE AGREEMENT WITH ALASKA AIRLINES, INC.  
PROVIDING FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN  
FRANCISCO INTERNATIONAL AIRPORT.**

- WHEREAS,** Alaska Airlines, Inc. (“Airline”) conducts flight operations at San Francisco International Airport (the “Airport”) pursuant to Airline Airport Lease and Use Agreement L82-0314 and
- WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “2011 Lease”); and
- WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and
- WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “Commission”) and Airline now desire to enter into the 2011 Lease; and
- WHEREAS,** in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City’s Charter; now, therefore, be it
- RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further
- RESOLVED,** that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further
- RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

**APPROVAL OF LEASE AND USE AGREEMENT WITH CONTINENTAL AIRLINES, INC.  
PROVIDING FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN  
FRANCISCO INTERNATIONAL AIRPORT.**

**WHEREAS,** Continental Airlines, Inc. (“**Airline**”) conducts flight operations at San Francisco International Airport (the “**Airport**”) pursuant to Airline Airport Lease and Use Agreement L82-0316 and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “**2011 Lease**”); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “**Commission**”) and Airline now desire to enter into the 2011 Lease; and

**WHEREAS,** in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City’s Charter; now, therefore, be it

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

**RESOLVED,** that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

**APPROVAL OF LEASE AND USE AGREEMENT WITH U.S. AIRWAYS, INC.  
PROVIDING FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN  
FRANCISCO INTERNATIONAL AIRPORT.**

- WHEREAS,** U.S. Airways, Inc. (“Airline”) conducts flight operations at San Francisco International Airport (the “Airport”) pursuant to Airline Operating Permit 3977 and
- WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “2011 Lease”); and
- WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and
- WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “Commission”) and Airline now desire to enter into the 2011 Lease; and
- WHEREAS,** in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City’s Charter; now, therefore, be it
- RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further
- RESOLVED,** that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further
- RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

**APPROVAL OF LEASE AND USE AGREEMENT WITH NIPPON CARGO AIRLINES COMPANY, INC. PROVIDING FOR OPERATING RIGHTS AT SAN FRANCISCO INTERNATIONAL AIRPORT.**

**WHEREAS,** Nippon Cargo Airlines Company Limited (“**Airline**”) conducts flight operations at San Francisco International Airport (the “**Airport**”) pursuant to Airline Operating Permit 2037 and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “**2011 Lease**”); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “**Commission**”) and Airline now desire to enter into the 2011 Lease; and

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

**APPROVAL OF LEASE AND USE AGREEMENT WITH SOUTHERN AIR, INC.  
PROVIDING FOR OPERATING RIGHTS AT SAN FRANCISCO INTERNATIONAL  
AIRPORT.**

**WHEREAS,** Southern Air, Inc. (“Airline”) conducts flight operations at San Francisco International Airport (the “Airport”) pursuant to Airline Operating Permit 3857 and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “2011 Lease”); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “Commission”) and Airline now desire to enter into the 2011 Lease; and

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.

**APPROVAL OF LEASE AND USE AGREEMENT WITH KALITTA AIR, LLC  
PROVIDING FOR OPERATING RIGHTS AT SAN FRANCISCO INTERNATIONAL  
AIRPORT.**

**WHEREAS,** Kalitta Air, LLC (“Airline”) conducts flight operations at San Francisco International Airport (the “Airport”) pursuant to Airline Airport Lease and Use Agreement 3862 and

**WHEREAS,** the Airport has negotiated the terms of a new Lease and Use Agreement to be effective July 1, 2011 (the “2011 Lease”); and

**WHEREAS,** the 2011 Lease will have a term of ten (10) years and provides for terminal rental and landing fees in accordance with the Airport’s Rates and Charges; and

**WHEREAS,** the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the “Commission”) and Airline now desire to enter into the 2011 Lease; and

**RESOLVED,** that this Commission approves the 2011 Lease between the Airline and the City, consistent with the terms of the attached memorandum, subject to the Airline complying with Chapter 12B of the City’s Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto; and be it further

**RESOLVED,** that the Commission Secretary is hereby directed to request Board of Supervisors’ approval of said Lease and Use Agreement pursuant to City Charter Section 9.118.





# LEASE AND USE AGREEMENT

SAN FRANCISCO INTERNATIONAL AIRPORT

By and between the  
AIRPORT COMMISSION OF THE  
CITY AND COUNTY OF SAN FRANCISCO

And

---

Mayor Gavin Newsom

AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns  
Hon. Richard J. Guggenhime

John L. Martin  
Airport Director

March 1, 2010

Lease No. \_\_\_\_\_

**TABLE OF CONTENTS**  
**LEASE AND USE AGREEMENT**

<b>RECITALS</b>	<b>1</b>
<b>ARTICLE 1. DEFINITIONS</b>	<b>1</b>
<i>Section 101 Definitions.</i>	<i>1</i>
<i>Section 102 Time Conventions.</i>	<i>11</i>
<b>ARTICLE 2. PREMISES; USE</b>	<b>11</b>
<i>Section 201 Lease of Demised Premises.</i>	<i>11</i>
<i>Section 202 Permitted Uses.</i>	<i>12</i>
<i>Section 203 Prohibited Uses, Exclusions and Reservations.</i>	<i>14</i>
<i>Section 204 Space Classifications.</i>	<i>15</i>
<i>Section 205 Rights of Way.</i>	<i>17</i>
<i>Section 206 Ingress and Egress.</i>	<i>18</i>
<i>Section 207 Accommodation of Other Air Carriers in Airline's Exclusive Use Space.</i>	<i>18</i>
<i>Section 208 Environmental Sustainability Measures.</i>	<i>19</i>
<i>Section 209 Equipment, Maintenance and Operating Agreements.</i>	<i>19</i>
<i>Section 210 Relocation of Operations.</i>	<i>20</i>
<i>Section 211 [Reserved].</i>	<i>21</i>
<i>Section 212 Termination.</i>	<i>21</i>
<i>Section 213 Recapture of Exclusive Use Space Following Involuntary Reduction in Number of Preferential Use Gates.</i>	<i>21</i>
<i>Section 214 Recapture of Exclusive Use Space Following Rejection of Preferential Use Gates by Airline.</i>	<i>22</i>
<i>Section 215 Airline-Owned Equipment in Demised Premises.</i>	<i>22</i>
<i>Section 216 Affiliate Airlines.</i>	<i>23</i>
<b>ARTICLE 3. ASSIGNMENT AND USE OF COMMON USE FACILITIES AND PREFERENTIAL USE GATES</b>	<b>24</b>
<i>Section 301 No Exclusive Use Gates.</i>	<i>24</i>
<i>Section 302 Resource Management Advisory Committee.</i>	<i>24</i>
<i>Section 303 Annual Determination by the City of the Total Number of Common Use Gates.</i>	<i>24</i>
<i>Section 304 Annual Determination of the Number and Locations of Preferential Use Gates to be offered to the Signatory Airlines.</i>	<i>25</i>
<i>Section 305 City Scheduling Rights at Preferential Use Gates.</i>	<i>26</i>

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information (Please print clearly.)</b>	
Name of City elective officer(s):	City elective office(s) held:
Members, SF Board of Supervisors	Members, SF Board of Supervisors

<b>Contractor Information (Please print clearly.)</b>	
Name of contractor: Continental Airlines, Inc.	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
<b>Board Members:</b>	
(1) Kirbyjon H. Caldwell, Carolyn Corvi, Henry L. Meyer III, Oscar Munoz, Laurence E. Simmons, Jeffrey Smisek, Karen Hastie Williams, Ronald B. Woodard, Charles A. Yamarone	
(2) Jeffrey Smisek – Chairman, President and CEO; Zane Rowe – Executive VP and Chief Financial Officer; Mark Moran – Executive VP and Chief Operating Officer	
(3) Not applicable.	
(4) Not applicable.	
(5) Not applicable.	
Contractor address: 1600 Smith Street, Houston TX 77002	
Date that contract was approved:	Amount of contract: TBD each FY -See attached formula
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form (
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information (Please print clearly.)</b>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: ( ) 415-554-5184
Address: 1 Dr. Carlton B Good Pl, Room 244, SF CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s):  Members, SF Board of Supervisors	City elective office(s) held:  Members, SF Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: Alaska Airlines, Inc.	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
<b>1 &amp; 2. Board Members, CEO, CFO, COO:</b> Please see attached. <b>3.</b> Alaska Air Group, Inc. owns 100% of Alaska Airlines, Inc. <b>4.</b> None. <b>5.</b> None (assumingly this refers to political committees involved in local or state politics)	
Contractor address: 19300 International Blvd., Seattle, WA 98188 (mailing address: P.O. Box 68900, Seattle, WA 98168-0900)	
Date that contract was approved:	Amount of contract: TBD each FY-See attached formula
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form (
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits  
Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: ( ) (415) 554-5184
Address: 1 Dr Carlton B Goodlett Pl Room 244 SF CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

## ALASKA AIRLINES, INC.

## BOARD OF DIRECTORS

WILLIAM S. AYER  
Chair & CEO  
Alaska Airlines, Inc.  
19300 International Blvd  
Seattle, WA 98168

MARK R. HAMILTON  
10630 Cutter Circle  
Anchorage, AK 99515

DENNIS F. MADSEN  
Chair  
Pivotlink Software  
3213 West Wheeler, No. 373  
Seattle, WA 98199

PATRICIA M. BEDIENT  
Executive Vice President & CFO  
Weyerhaeuser Company  
33663 Weyerhaeuser Way So.  
Federal Way, WA 98003

JESSIE J. KNIGHT, Jr.  
Chair & CEO  
San Diego Gas & Electric Company  
8330 Century Park Court  
San Diego, CA 92123

BYRON I. MALLOTT  
Trustee  
First Alaskans Institute  
102 Cordova St  
Juneau, AK 99801

## ELECTED OFFICERS

Address: c/o ALASKA AIRLINES, PO BOX 68900, SEATTLE, WA 98168

WILLIAM S. AYER  
Chair & Chief Executive Officer  
19300 International Blvd  
Seattle, WA 98188

JEFFREY M. BUTLER  
Vice President/Customer Service --  
Airports  
19300 International Blvd  
Seattle, WA 98188

THOMAS W. NUNN  
Vice President/Safety  
19300 International Blvd  
Seattle, WA 98188

BRADLEY D. TILDEN  
President  
19300 International Blvd  
Seattle, WA 98188

KELLEY J. DOBBS  
Vice President/Human Resources and  
Labor Relations  
19300 International Blvd  
Seattle, WA 98188

BRANDON S. PEDERSEN  
Vice President/Finance & Chief Financial  
Officer  
19300 International Blvd  
Seattle, WA 98188

BENITO MINICUCCI  
Executive Vice President/Operations &  
Chief Operating Officer  
19300 International Blvd  
Seattle, WA 98188

ANDREW R. HARRISON  
Vice President/Planning & Revenue  
Management  
19300 International Blvd  
Seattle, WA 98188

JOHN F. SCHAEFER, JR.  
Vice President/Finance and Treasurer  
19300 International Blvd  
Seattle, WA 8188

WILLIAM L. MACKAY  
Senior Vice President/Alaska  
4750 W. International Airport Road  
Anchorage, AK 99502

KRIS M. KUTCHERA  
Vice President/Information Technology  
20313 28<sup>th</sup> Avenue South  
Seattle, WA 98198

JOSEPH A. SPRAGUE  
Vice President/Marketing  
19300 International Blvd  
Seattle, WA 98188

ANN E. ARDIZZONE  
Vice President/Inflight Services  
19300 International Blvd  
Seattle, WA 98188

KEITH LOVELESS  
Vice President/Legal & Corporate Affairs,  
General Counsel & Corporate Secretary  
19300 International Blvd  
Seattle, WA 98188

EDWARD W. WHITE  
Vice President/Corporate Real Estate  
19300 International Blvd  
Seattle, WA 98188

GARY L. BECK  
Vice President/Flight Operations  
2651 South 192<sup>nd</sup>  
Seattle, WA 98188

FREDERICK L. MOHR  
Vice President/Maintenance &  
Engineering  
Alaska Service Road  
Seattle Tacoma International Airport  
Seattle, WA 98158

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s):  Members, SF Board of Supervisors	City elective office(s) held:  Members, SF Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: Continental Airlines, Inc.	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
<b>Board Members:</b>	
(1) Kirbyjon H. Caldwell, Carolyn Corvi, Henry L. Meyer III, Oscar Munoz, Laurence E. Simmons, Jeffrey Smisek, Karen Hastie Williams, Ronald B. Woodard, Charles A. Yamarone	
(2) Jeffrey Smisek – Chairman, President and CEO; Zane Rowe – Executive VP and Chief Financial Officer; Mark Moran – Executive VP and Chief Operating Officer	
(3) Not applicable.	
(4) Not applicable.	
(5) Not applicable.	
Contractor address: 1600 Smith Street, Houston TX 77002	
Date that contract was approved:	Amount of contract: TBD each FY
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits  
Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer:	Contact telephone number: ()
Address:	E-mail:

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed



**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> (Please print clearly.)	
Name of City elective officer(s):  Members, SF Board of Supervisors	City elective office(s) held:  Members, SF Board of Supervisors

<b>Contractor Information</b> (Please print clearly.)	
Name of contractor: <b>Kalitta Air, LLC</b>	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. <b>Board Members:-</b> CONRAD KALITTA - CEO DC SANDERLIN - COO GREG STRZYNSKI - CFO	
Contractor address: 818 WILLOW RUN AIRPORT, YPSILANTI, MI 48198	
Date that contract was approved:	Amount of contract: TBD each FY See attached formula
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits  
Print Name of Board

<b>Filer Information</b> (Please print clearly.)	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: ( ) (415) 554-5184
Address: City Hall Room 244, 1 Dr Carlton B. Goodlett Pl. San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s):  1 _____, Members, SF Board of Supervisors	City elective office(s) held:  Members, SF Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: Nippon Cargo Airlines Co., Ltd.	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
<b>Board Members:</b> Please see attached file(Attachment1).	
Contractor address: Onarimon Yusen Building 11F 3-23-5 Nishi-Shimbashi Minato-ku, Tokyo 105-0003 Japan	
Date that contract was approved:	Amount of contract: TBD each FY See attached formula
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits
- \_\_\_\_\_   
Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: ( ) (415) 554-5184
Address: City Hall Room 244 1 Dr. Carlton B. Goodlett Pl. SF CA 94102	E-mail: Board.of.Supervisors@sfgov.org

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed



(1) Members of the contractor's board of directors;

Chairman of the Board	Koji MIYAHARA
President	Tetsufumi OTSUKI
Senior Executive Managing Director	Takuzo NOMURA
Senior Executive Managing Director	Fukashi SAKAMOTO
Managing Director	Yoshimasa SEKIGUCHI
Managing Director	Takeshi NAKA
Managing Director	Kunio ITO

(2) The contractor's chief executive officer, chief financial officer and chief operating officer;

Chief Executive Officer	Tetsufumi OTSUKI
Chief Financial Officer	n/a
Chief Operating Officer	n/a

(3) Any person who has an ownership of 20 percent or more in the contractor;

n/a

(4) Any subcontractor listed in the bid or contract;

n/a

(5) Any political committee sponsored or controlled by the contractor.

n/a

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s):	City elective office(s) held:
Members, SF Board of Supervisors	Members, SF Board of Supervisors

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: <b>Southern Air, Inc.</b>	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
<b>Board Members:</b> Rowan G.P. Taylor, Daniel J. McHugh, Michael J. Warren, Edward V. Dardani	
<b>Chief Executive Officer:</b> Daniel J. McHugh	
<b>Ownership:</b> Oak Hill Cargo 360 LLC owns approximately 98% of Southern Air Inc.'s common stock	
Contractor address: 117 Glover Avenue, Norwalk, CT 06850	
Date that contract was approved:	Amount of contract: TBD each FY See attached Formula
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

This contract was approved by (check applicable):

- the City elective officer(s) identified on this form
- a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board
- the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits  
Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: 0 (415) 554-5184
Address: City Hall, Room 244 1 Dr Carlton B. Goodlett Pl. SF CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

**FORM SFEC-126:  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Governmental Conduct Code § 1.126)**

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors
<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: US Airway, Inc.	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i> 1) See attached; 2) See attached; 3) US Airway, Inc. is 100% owned by US Airways Group, Inc 4) NA; 5) US Airway Group Inc Federal and State PAC, 4000 E Sky Harbor Blvd, CH-GOV	
Contractor address: 111 W. Rio salado pkway, Tempe, AZ 85281	
Date that contract was approved:	Amount of contract: TBD each FY See attached formula
Describe the nature of the contract that was approved:	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves San Francisco Board of Supervisors  
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the San Francisco Board of Supervisors	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed

**Anderson, David (DJ)**

**From:** Teresa Rivor [Teresa.Rivor@flysfo.com]  
**Sent:** Tuesday, August 17, 2010 2:11 PM  
**To:** Anderson, David (DJ)  
**Cc:** Diane Artz; Dan Ravina; Gary Franzella  
**Subject:** New Lease and Use Additional Information Request  
**Attachments:** Form SFEC-126 - Blank.doc

Dear DJ:

We are pleased to inform you that on August 17, 2010, the Airport Commission approved the Lease Modification and new Lease and Use for your Airline. We are now in the process of seeking the Board of Supervisors' authorization.

As part of the Authorization, we have been notified by the Board that the attached Form SPEC-126 needs to be completed as part of your Authorization submittal.

Please complete the following box only:

<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: US Airways, Inc.	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in any subcontractor listed in the bid or contract; and (5) any political committee sponsored or organized by the contractor or any subcontractor listed in the bid or contract on additional pages as necessary.	
Board Members: (1) see attached; (2) see attached; (3) US Airways, Inc. is 100% owned by US Airways Group, Inc. as a wholly-owned subsidiary; (4) NA; (5) see below	
Contractor address: 111 W. Rio Salado Pkwy, Tempe, AZ 85281	
Date that contract was approved:	Amount of contract: TBD each FY
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

Upon completion, please return the form back to our offices no later than close of business, Monday, August 23<sup>rd</sup>.

Your timely assistance is appreciated as we move forward with Board approval of your Lease.

(5) US Airways Group, Inc. Federal PAC  
 US Airways Group, Inc. State PAC > 2 entities  
 4000 E. Sky Harbor Blvd., CH-GOV  
 8/23/2010 Phoenix, AZ 85034 (480) 693-5815

Any questions, please feel free to contact me at: 650-821-4525.

Best regards,  
Teresa

Teresa Rivor  
Aviation Management  
650-821-4533

## Corporate Governance - Board of Directors

[Highlights](#) | [Management](#) | [Board of Directors](#) | [Committee Composition](#)

**W. Douglas Parker**  
Chairman

**Bruce R. Lakefield**  
Vice-Chairman

**Herbert M. Baum**  
Retired Chairman, President and CEO, Dial Corporation

**Matthew J. Hart**  
Former President and COO, Hilton Hotels Corporation

**Richard C. Kraemer**  
Former CEO of UDC, President, Chartwell Capital, Inc.

**Cheryl G. Krongard**  
Former Senior Partner, Apollo Management, L.P.

**Denise M. O'Leary**  
Private Investor

**George M. Phillip**  
Interim President, University of Albany

**J. Steven Whisler**  
Former Chairman and CEO, Phelps Dodge Corporation



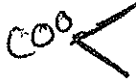
## Corporate Governance - Management

[Highlights](#) | [Management](#) | [Board of Directors](#) | [Committee Composition](#)

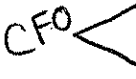
**Doug Parker**  
Chairman and Chief Executive Officer

**Scott Kirby**  
President

**Elise Eberwein**  
Executive Vice President, People and Communication

**COO**  **Robert Isom**  
Executive Vice President, Chief Operating Officer

**Steve Johnson**  
Executive Vice President, Corporate

**CFO**  **Derek Kerr**  
Executive Vice President, Chief Financial Officer

**Suzanne Boda**  
Senior Vice President, Airport Customer Service, International and Cargo

**Ed Bular**  
Senior Vice President, Flight Operations/Inflight

**C.A. Howlett**  
Senior Vice President, Public Affairs

**Brad Jensen**  
Senior Vice President, Chief Information Officer

**Andrew Nocella**  
Senior Vice President, Marketing and Planning

**David Seymour**  
Senior Vice President, Technical Operations

**Hector Adler**  
Vice President, InFlight Services

**Brad Beakley**  
Vice President, Operations, Control and Planning

**Keith Bush**  
Vice President, Financial Planning & Analysis

**Kevin Brickner**  
Vice President, Technical Services

**Mike Carreon**  
Vice President, Controller

**Tom Chapman**  
Vice President, Congressional & Federal Affairs

**Todd Christy**  
Vice President, Business Technology

**Robert Ciminelli**  
Vice President, Philadelphia Operations

**Alan Ferayorni**  
Vice President, IT Infrastructure

**Dion Flannery**  
Vice President/President, Express Operations

**Madeleine Gray**  
Vice President, Business Technology Delivery

**Al Hemenway**  
Vice President, Labor Relations

**Kerry Hester**  
Vice President, Reservations and Customer Service Support

**Lyle Hogg**  
Vice President - Flight Operations

**Paul Jones**  
Vice President, Legal Affairs

**Howard Kass**  
Vice President, Legal Affairs

**Mike Minerva**  
Vice President, Corporate Real Estate

**Paul Morell**  
Vice President, Safety and Regulatory Compliance

**Rick Oehme**  
Vice President, Maintenance Production

**Jim Olson**  
Vice President, Corporate Communications

**Donna Paladini**  
Vice President, Customer Service and Operations Support

**Daniel Pon**  
Vice President, Human Resources

**Terri Pope**  
Vice President, Charlotte Operations

**Tom Trenga**  
Vice President, Revenue Management

**Tom Weir**  
Vice President, Treasurer

**Stephen R. Farrow**  
President and CEO, Piedmont Airlines, Inc.

**Kelth D. Houk**  
President and CEO, PSA Airlines, Inc.

**Caroline Ray**  
Corporate Secretary

Statement regarding the "Amount of Contract " for Airline/Airport 2011 Lease and use Agreements

Revenue generated by this Contract is comprised terminal rental, and the formulas for each is listed below:

Exclusive Use Space calculated by Airport Rates and Charges, as shown on Exhibit O of the 2011 Lease.

Joint Use Space calculated by Airport Rates and Charges, as shown on Exhibit E of the 2011 Lease

Preferential Use Space calculated by Airport Rates and Charges, as shown on Exhibit O of the 2011 Lease.

Landing Fees care also calculated pursuant the Airport's Rates and Charges, as shown on Exhibit O of the 2011 Lease.

A copy of the 2011 Lease is attached for your reference.

