

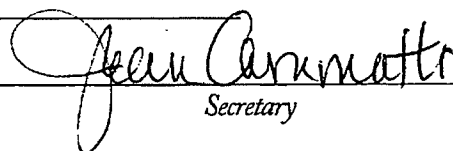
AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 15-0032

APPROVAL OF MODIFICATION NO. 1 TO THE 2011 LEASE AND USE AGREEMENT
NO. L10-0083 WITH DELTA AIR LINES, INC. AND DIRECTING THE COMMISSION
SECRETARY TO FORWARD THE MODIFICATION TO THE BOARD OF SUPERVISORS FOR
APPROVAL

- WHEREAS, Delta Air Lines, Inc. ("Delta") is a signatory to the 2011 Lease and Use Agreement No. L10-0083 (the "Lease") effective as of July 1, 2011; and
- WHEREAS, Delta desires to develop a new and expanded premium class lounge in approximately 10,012 square feet of Exclusive Use space in Boarding Area C in Terminal 1; and
- WHEREAS, upon completion of the new lounge, Delta desires to relinquish approximately 4,495 square feet of Category II Exclusive Use space in Terminal 1 where its existing lounge is located; and
- WHEREAS, Delta also desires to relinquish approximately 5,269 square feet of Exclusive Use space in the International Terminal as a result of the cessation of its international flights; and
- WHEREAS, Delta's request to relinquish space in the International Terminal presents an opportunity for Air France to expand into Delta's relinquished space and for Cathay Pacific to expand into the lounge space to be vacated by Air France; and
- WHEREAS, following the addition and deletion of the Exclusive Use Category II Space in the Delta Lease, the net change will result in the addition of approximately 248 square feet of Exclusive Use Category II Space, and will generate an estimated \$48,387.28 per year in revenue to the Airport; now, therefore, be it
- RESOLVED, that this Commission hereby approves and authorizes the Director to execute Modification No. 1 to 2011 Lease and Use Agreement No. L10-0083 with Delta (the "Modification"), which adds approximately 10,012 square feet of Category II Exclusive Use space and removes approximately 9,764 square feet of Category II Exclusive Use space, resulting in the net increase of approximately 248 square feet of Category II Exclusive Use space; and be it further
- RESOLVED, that the Commission Secretary is hereby directed to request approval of the Modification by resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

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

FEB 03 2015


Secretary



San Francisco International Airport

MEMORANDUM

February 3, 2015

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenlime
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Modification No. 1 to 2011 Lease and Use Agreement No. L10-0083 with Delta Air Lines, Inc. for Changes in Demised Premises

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 1 TO 2011 LEASE AND USE AGREEMENT NO. L10-0083 WITH DELTA AIR LINES, INC., FOR A NET INCREASE IN THE DEMISED PREMISES OF APPROXIMATELY 248 SQUARE FEET, AND DIRECT THE COMMISSION SECRETARY TO REQUEST THE BOARD OF SUPERVISORS APPROVAL OF THE LEASE MODIFICATION.

Executive Summary

Pursuant to the 2011 Lease and Use Agreement No. L10-0083 (the "Lease"), Delta Air Lines, Inc. ("Delta") occupies approximately 53,454 square feet of Exclusive Use Space in Terminal 1 and approximately 6,603 square feet of Exclusive Use Space and Joint Use Space in the International Terminal. Delta wishes to expand its premium class lounge by relocating to a 10,012 square feet of Exclusive Use space in Terminal 1, Boarding Area C. Once the new lounge is completed, Delta desires to relinquish its current Terminal 1 lounge consisting of approximately 4,495 square feet of Category II Exclusive Use Space. In addition, as a result of the cessation of its international flight operations, Delta desires to relinquish its lounge in the International Terminal consisting of approximately 5,269 square feet of Category II Exclusive Use Space. Delta's relinquishment of its lounge in the International Terminal will provide Air France the opportunity to expand its lounge by taking over the lounge to be vacated by Delta, which in turn will provide Cathay Pacific Airways Limited ("Cathay Pacific") the opportunity to expand its lounge by taking over the lounge to be vacated by Air France. Following the addition and removal of space by Delta, the change will result in a net increase of approximately 248 square feet of Category II Exclusive Use Space to the Delta Lease and an increase in rental revenues by an estimated \$48,387.28 annually.

Background

Pursuant to Airport Commission Resolution No. 10-0083 adopted March 16, 2010, and Board of Supervisors Resolution No. 208-10 adopted May 11, 2010, Delta became a signatory to the Lease for a ten-year term. Delta now desires to offer its premium passengers a new, larger lounge. The selected site will be located post-security in Terminal 1, Boarding Area C and is comprised of approximately 10,012 square

THIS PRINT COVERS CALENDAR ITEM NO. 13

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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VICE PRESIDENT

ELEANOR JOHNS

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JOHN L. MARTIN
AIRPORT DIRECTOR

feet of Category II space. Once the new lounge is completed, Delta will relocate from its existing lounge and relinquish to the Airport approximately 4,495 square feet of Category II Exclusive Use space in Terminal 1.

As a result of Delta's cessation of its international flight operations, Delta requests an additional modification to the Lease by relinquishing approximately 5,269 square feet of space in the International Terminal that it no longer needs. Separately, Air France, and Cathay Pacific Airways have expressed a desire to expand their lounges in the International Terminal. Staff recommends agreeing to Delta's request to remove 5,269 square feet of space in the International Terminal in order to allow Air France to expand into Delta's relinquished space, which in turn will allow Cathay Pacific to expand into the lounge space to be vacated by Air France. In the interim, with the Director's approval, Delta has subleased its lounge space in the International Terminal to Air France so that Air France may have immediate access to the space leased to Delta and to allow Delta to minimize its financial obligations. Modification No. 1 to the Delta Lease will align the use of terminal space with the needs of Delta, Air France and Cathay Pacific. Modifications to the leases with Air France and Cathay Pacific will be presented to the Commission separately.

Proposal

Staff has determined that a new Delta post-security lounge located on Boarding Area C, Terminal 1 and the removal of Delta's existing lounge space in Terminal 1 and the International Terminal is an excellent use of space, will provide better passenger service, and will generate additional revenue of an estimated \$48,387.28 per year.

Upon Airport Commission approval, Staff will forward this Modification No. 1 to the Board of Supervisors for approval.

Recommendation

I recommend adoption of the accompanying Resolution approving Modification No. 1 to 2011 Lease and Use Agreement No. L10-0083 with Delta Air Lines, Inc., which adds approximately 10,012 square feet of Category II Exclusive Use space for a new lounge for Delta's premium passengers and relinquishes approximately 9,764 square feet of Category II Exclusive Use space comprised of approximately 4,495 square feet of Domestic Terminal lounge space in Terminal 1 and approximately 5,269 square feet of International Terminal lounge space. Following these changes, the net change will result in an increase of approximately 248 square feet of space in demised premises and will generate additional revenue of an estimated \$48,387.28 per year. The proposed Resolution also directs the Commission Secretary to request Board of Supervisors approval of the Lease Modification in accordance with City Charter Section 9.118.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachment