



MEMORANDUM

February 3, 2015

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

FROM: Airport Director

SUBJECT: Modifications to the 2011 Lease and Use Agreement No. L10-0076 with Air France and the 2011 Lease and Use Agreement No. L10-0081 with Cathay Pacific Airways Limited

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 1 TO THE 2011 LEASE AND USE AGREEMENT NO. L10-0076 WITH AIR FRANCE AND MODIFICATION NO. 2 TO THE 2011 LEASE AND USE AGREEMENT NO. L10-0081 WITH CATHAY PACIFIC AIRWAYS LIMITED FOR CHANGES IN DEMISED PREMISES; AND DIRECT THE COMMISSION SECRETARY TO REQUEST THE APPROVAL OF THE BOARD OF SUPERVISORS OF THESE LEASE MODIFICATIONS.

Executive Summary

Air France and Cathay Pacific Limited Airways ("Cathay Pacific") desire to expand their lounges in the International Terminal pursuant to modifications to their respective 2011 Lease and Use Agreements. Following the proposed modifications, Air France's demised premises under their 2011 Lease and Use Agreement No. L10-0076 ("L10-0076") would increase by approximately 2,758 square feet, and Cathay Pacific's demised premises under their 2011 Lease and Use Agreement No. L10-0081 ("L10-0081") would increase by approximately 3,790 square feet.

Background

Air France became a signatory to L10-0076 pursuant to Airport Commission (the "Commission") Resolution No. 10-0076 adopted on March 16, 2010. Cathay Pacific became a signatory to L10-0081 pursuant to Commission Resolution No. 10-0081 also adopted on March 16, 2010. The Board of Supervisors approved and authorized both leases by Resolution No. 208-10 adopted on May 11, 2010. Under L10-0076 and L10-0081, Air France and Cathay Pacific commenced ten-year term with the City and County of San Francisco, effective July 1, 2011, for operating rights and occupancy of certain premises in the International Terminal.

Subsequent to the execution of L10-0081, Cathay Pacific desired to offer its passengers a premium class lounge. For this purpose, the Commission approved Modification No. 1 to L10-0081, by Resolution

THIS PRINT COVERS CALENDAR ITEM NO. 15

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE LARRY MAZZOLA LINDA S. CRAYTON ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN JOHN L. MARTIN
MAYOR PRESIDENT VICE PRESIDENT AIRPORT DIRECTOR

No. 11-0134 adopted on June 7, 2011, for lease of approximately 5,664 square feet on Level 4 of the International Terminal and subsequent approval by the Board of Supervisors.

Air France also has a lounge on Level 4 of the International Terminal, of approximately 2,510 square feet. Air France has expressed a desire to operate in a larger space. Delta Air Lines, Inc. ("Delta") has ceased its international flights and is in the process of relinquishing its lounge space located on Level 3 of the International Terminal, which measures approximately 5,268 square feet and which Air France is currently subleasing with approval from the Airport Director. Delta's proposed lease modification is being presented separately to the Commission.

Proposal

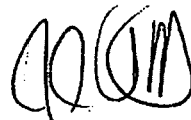
Staff proposes adding approximately 5,268 square feet from the International Terminal lounge space that Delta intends to vacate, and removing approximately 2,510 square feet from Air France's demised premises under L10-0076, for a net increase of approximately 2,758 square feet to Air France. This represents an increase of an estimated \$538,113 in annual Category II Exclusive Use Space rent from Air France.

Staff further proposes adding to Cathay Pacific's demised premises, under L10-0081, approximately 2,510 square feet from the International Terminal lounge space that Air France intends to vacate, and approximately 1,255 square feet of the adjacent vacant space as well as approximately 25 square feet of Airport space in close proximity to its current lounge that accommodates a water heater for Cathay Pacific. These spaces will now be included in the calculation of Cathay Pacific's Exclusive Use space that results in an increase of approximately 3,790 square feet of Category II Exclusive Use space and an estimated \$739,467 in annual Category II Exclusive Use Space rent from Cathay Pacific.

Upon Airport Commission approval, Staff will forward Modification No. 1 to L10-0076 with Air France and Modification No. 2 to L10-0081 with Cathay Pacific to the Board of Supervisors for approval.

Recommendation

I recommend the adoption of the accompanying resolutions approving Modification No. 1 to 2011 Lease and Use Agreement No. L10-0076 with Air France for a net increase of approximately 2,758 square feet to its demised premises, Modification No. 2 to 2011 Lease and Use Agreement No. L10-0081 with Cathay Pacific Airways Limited for the addition of approximately 3,790 square feet to its demised premises, and directing the Commission Secretary to request approval of the Board of Supervisors for these lease modifications in accordance with City Charter Section 9118.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

GF:gp

bcc: admin/chron/doc/file/Teresa Rivor/Dan Ravina/Dorothy Bong-Shao/Diana Chow/Luke Bowman
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