

File No. 111152

Committee Item No. 1

Board Item No. 12

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: November 16, 2011

Board of Supervisors Meeting

Date 11/22/11

Cmte Board

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| <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 & 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 |
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| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |

OTHER

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Completed by: Victor Young

Date: November 10, 2011

Completed by: Victor Young

Date: 11-16-11

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

1 [Airport Lease and Use Agreement - Swiss International Air Lines, Limited]

2
3 **Resolution approving the terms of 2011 Airline/Airport Lease and Use Agreement L11-**
4 **0182 between the City and County of San Francisco and Swiss International Air Lines,**
5 **Limited, to conduct international flight operations at San Francisco International**
6 **Airport.**

7 WHEREAS, Swiss International Air Lines, Limited ("Swiss International") conducts flight
8 operations at San Francisco International Airport (the "Airport") pursuant to Airline Operating
9 Permit P4200; and,

10 WHEREAS, the Airport Commission of the City and County of San Francisco (the
11 "City") entered into a new 2011 Lease and Use Agreement (the "2011 Lease") with thirty-nine
12 (39) airlines, effective July 1, 2011, for a term of ten (10) years to provide for the continuation
13 of flight operations and terminal rental by such airlines at the Airport; and,

14 WHEREAS, Swiss International now desires to become a signatory to the 2011 Lease
15 which grants it the right to conduct flight operations and lease certain terminal space from the
16 City under the same terms and conditions except that the term will be approximately nine (9)
17 years and seven (7) months, pending full approval by City; and,

18 WHEREAS, the Commission adopted Resolution No. 11-0182 on August 16, 2011,
19 approving the 2011 Lease (L11-0182) between Swiss International and the City, and
20 authorizing the Airport Director to execute the new 2011 Lease, subject to Swiss International
21 complying with Chapter 12B of the City's Administrative Code and other City contracting
22 requirements, or obtaining the appropriate waivers thereto; and

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

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RESOLVED, that this Board of Supervisors approves the 2011 Lease L11-0182 with Swiss International, subject to Swiss International complying with Chapter 12B of the City's Administrative Code and other City contracting requirements, or obtaining the appropriate waivers thereto.

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

Airline	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
Swiss International Air Lines	-	305	-	-	-

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

International Terminal	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
Total = 631,987 square feet	138,367	214,307	12,025	265,400	1,888

Item 1 File 11-1152	Department: San Francisco International Airport (Airport)
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EXECUTIVE SUMMARY**Legislative Objective**

- The proposed resolution would authorize a new, approximately nine year and seven month Lease and Use Agreement (Lease) between the San Francisco International Airport (Airport) and Swiss International Air Lines, Limited (Swiss Air), for 632,292 total square feet of exclusive and non-exclusive space in the International Terminal, from approximately December 1, 2011 through June 30, 2021, as a signatory to the 2011 Lease and Use Agreement between the Airport and various airlines. That agreement was previously approved by the Board of Supervisors for 38 other airlines at the Airport.

Key Points

- Airlines can operate at the Airport either by: (a) signing a lease with the Airport authorizing the airline to operate flights in and out of the Airport, including a negotiated amount of exclusive and non-exclusive space for use by the airline as a signatory airline, or (b) obtaining a month-to-month Airline Operating Permit and a month-to-month Terminal Space and Use Permit as a non-signatory airline.
- The Airport has previously entered into a new 2011 Lease and Use Agreement with 38 signatory airlines for a period of ten years, from July 1, 2011 through June 30, 2021, which contain similar terms differentiated only by the number and type of aircraft, landing weights, and square footage of space. The Board of Supervisors has previously approved three resolutions between 2010 and 2011 consisting of 38 different signatory airlines into the 2011 Lease and Use Agreement (File 10-0351, File 10-1213, & File 11-0210). In addition, 12 other airlines operate at the Airport as non-signatory airlines, for a total of 50 airlines currently operating at the Airport.
- Swiss Air has operated at the Airport as a non-signatory airline under a month-to-month Airline Operating Permit and has occupied 631,987 square feet of joint use space under a Terminal Space and Use Permit since June 2, 2010. As of June 27, 2011, Swiss Air has occupied an additional 305 square feet of exclusive use space for a total of 632,292 square feet of space, under their current month to month Terminal Space and Use Permit.

Fiscal Impacts

- From July 1, 2011 through approximately November 30, 2011, Swiss Air is currently paying the Airport \$59,533 per month in landing fees as a non-signatory airline. Under the proposed lease, the landing fees paid by Swiss Air to the Airport would be reduced to \$47,626 per month from the date the proposed signatory lease is approved, or approximately from December 1, 2011, through June 30, 2012. The annual rent now being paid by Swiss Air to the Airport for both exclusive use space (\$49,380) and joint use space (\$1,682,395) in the International Terminal would remain the same for the remainder of FY 2011-12.
- Based on air traffic forecasts, projected revenues, and projections in operating expenses and debt service, the Airport projects that Swiss Air will pay the Airport an estimated total of \$32,696,907 over the total lease term of approximately nine years and seven months from December 1, 2011 through June 30, 2021.
- Under the Airport's residual rate setting methodology (breakeven policy), the rental rates, and landing fees are adjusted annually such that the total amount of airline revenues received by the Airport is equal to the amount that all of the Airport's costs, including debt service and operating costs, exceed all of the non-airline revenues received by the Airport including concession and parking revenues.

Recommendation

- Approve the proposed resolution.

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 states that leases which would result in revenues to the City in excess of \$1,000,000 are subject to Board of Supervisors approval.

Background

The rent and landing fees, which are charged by the Airport to the airlines, are determined by the Airport's "residual rate setting methodology (breakeven policy)." Under such methodology, the rental rates, landing fees, and related fees are adjusted annually such that the total amount of airline revenues received by the Airport is equal to the amount that all of the Airport's costs, including debt service and operating costs, exceed all of the non-airline revenues received by the Airport including concession and parking revenues.

Airlines can operate at San Francisco International Airport (Airport) either by: (a) signing a lease with the Airport as a "signatory airline" authorizing the airline to operate flights in and out of the Airport, including a negotiated amount of exclusive and non-exclusive space for use by the airline, or (b) obtaining a month-to-month Airline Operating Permit and a month-to-month Terminal Space and Use Permit as a "non-signatory airline." Pursuant to Federal law, non-signatory airlines are not required to enter into leases with the Airport.

According to Ms. Diane Artz, Senior Property Manager at the Airport, there are currently 50 airlines operating at the Airport. Of the 50 airlines, 38¹ signatory airlines are under the Airport's 2011 Lease and Use Agreement and 12 are non-signatory airlines operating under month-to-month Airline Operating Permits and Terminal Space and Use Permits. The 2011 Lease and Use Agreements with the 38 airlines extend for ten years from July 1, 2011 through June 30, 2021. The Board of Supervisors has previously approved three resolutions between 2010 and 2011 consisting of 38 different signatory airlines into the 2011 Lease and Use Agreement (File 10-0351, File 10-1213, & File 11-0210)

Ms. Artz notes that previous to the 2011 Lease and Use Agreement, there was little incentive for airlines to sign a lease with the Airport as both signatory and non-signatory airlines paid the same rental rates, and landing fees, as calculated by the residual rate setting methodology (breakeven policy). However, as part of the 2011 Lease and Use Agreements, beginning on July 1, 2011, each non-signatory airline is required to pay a 25 percent premium on landing fees in excess of the landing fees paid by the signatory airlines to the Airport. According to Ms. Artz, the 25 percent premium on landing fees for non-signatory airlines was intended to create a financial incentive for non-signatory airlines to enter into long term leases with the Airport.

¹ There were 39 airlines who were part of the 2011 Lease Agreement, however, Mexicana Airlines declared bankruptcy, and could not consummate the lease, and is no longer operating at the Airport.

Swiss International Air Lines, Limited (Swiss Air) has operated at the Airport as a non-signatory airline under a month-to-month Airline Operating Permit and has occupied 631,987 square feet of joint use space under a Terminal Space and Use Permit since June 2, 2010.

As of June 27, 2011, Swiss Air occupied an additional 305 square feet of exclusive use space for a total of 632,292 square feet of space, under their current month to month Terminal Space and Use Permit.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new Lease and Use Agreement (Lease) between the Airport and Swiss International Airlines, Limited (Swiss Air) for (a) the right to operate flights at the Airport's International Terminal, and (b) occupy a total of 632,292 square feet of space in the International Terminal, including 305 square feet of exclusive use space and 631,987 of joint use space, for the approximately nine year and seven month period of the lease from December 1, 2011 through June 30, 2021.

Currently, Swiss Air is operating at the Airport as a non-signatory airline under a month-to-month Airline Operating Permit and a month to month Terminal Space and Use Permit.

Under the proposed lease agreement, Swiss Air would become a signatory to the existing 2011 Lease and Use Agreement previously approved in 2010 and 2011 by the Board of Supervisors in three resolutions (File 10-0351, File 10-1213, & File 11-0210) for 38 other airlines at the Airport.

FISCAL IMPACT

As shown in Table 1 below, Swiss Air is currently paying a total of approximately \$203,848 per month to the Airport for FY 2011-12. Approval of the proposed resolution would result in Swiss Air paying approximately \$207,680 a month for FY 2012-13, the first full year under the proposed Lease and Use Agreement.

Table 1: Approximate Monthly Revenues paid by Swiss Air to the Airport

	FY 2011-12 Non-Signatory Month-to-Month Permits	FY 2012-13 Proposed New Signatory Lease
Landing Fees	\$59,533	\$51,532
Joint Use Rent	140,200	151,696
Exclusive Use Rent	4,115	4,452
Total Monthly Revenues:	\$203,848	\$207,680

As of July 1, 2011, under the terms of the 2011 Lease and Use Agreement with 38 signatory airlines, the 12 non-signatory airlines, which have operated at the Airport under Airline Operating Permits and Terminal Space and Use Permits, have been required to pay a 25 percent premium on landing fees in excess of the landing fees paid by the signatory airlines operating under lease at the Airport. Currently, under the existing month-to-month Airline Operating Permit, Swiss Air pays the Airport \$59,533 per month in landing fees. As of the date the proposed new signatory lease is executed, or approximately December 1, 2011, Swiss Air will no

longer be required to pay this 25 percent premium, such that Swiss Air will instead pay \$47,626 per month in landing fees for the remainder of FY 2011-12 as a signatory airline.

As shown in the Attachment to this report, based on air traffic forecasts, projected revenues, and projections in operating expenses and debt service, the Airport projects that Swiss Air will pay the Airport total estimated revenues of \$32,696,907 over the total lease term of approximately nine years and seven months, from approximately December 1, 2011 through June 2021, including \$8,113,102 in landing fees, \$23,882,827 for joint use rent space, and \$700,978 for exclusive use rent space.

Under the proposed new 2011 Lease and Use Agreement, Swiss Air would pay the Airport revenues based on the annual rental rates and landing fees, calculated under the Airport's breakeven policy included under the existing Lease and Use Agreement for the 38 other airlines, such that the lease rates are differentiated only by the number and type of aircraft, landing weights, and square footage of space.

RECOMMENDATION

Approve the proposed resolution.

Projected Revenues over the Proposed 9 Year, 7 Month Lease

LANDING FEES

Fiscal Yr.	% Increase	Landing Fee per 1000 lbs.	Max. Landed Weight (1000 lbs.)	Landing Fee per Flight	Flights per Month	Landing Fees per Month	Landing Fees per Year
FY 11/12	Base	\$3.79	418.88	\$1,587.55	30	\$47,626.43	\$333,385.00*
FY 12/13	8.2%	\$4.10	418.88	\$1,717.73	30	\$51,531.80	\$618,381.55
FY 13/14	9.1%	\$4.47	418.88	\$1,874.04	30	\$56,221.19	\$674,654.27
FY 14/15	11.4%	\$4.98	418.88	\$2,087.68	30	\$62,630.40	\$751,564.86
FY 15/16	10.8%	\$5.52	418.88	\$2,313.15	30	\$69,394.49	\$832,733.86
FY 16/17	7.6%	\$5.94	418.88	\$2,488.95	30	\$74,668.47	\$896,021.63
FY 17/18	5.1%	\$6.24	418.88	\$2,615.89	30	\$78,476.56	\$941,718.74
FY 18/19	4.7%	\$6.54	418.88	\$2,738.83	30	\$82,164.96	\$985,979.52
FY 19/20	3.7%	\$6.78	418.88	\$2,840.17	30	\$85,205.06	\$1,022,460.76
FY 20/21	3.3%	\$7.00	418.88	\$2,933.89	30	\$88,016.83	\$1,056,201.97*

* For FY 2011-12, the Landing Fees are based upon the prorated 7 months remaining in FY 2011-12

JOINT USE RENTS

(Based on 631,987 square feet of joint use space)

Fiscal Yr.	% Increase	Yearly Rent
FY 11/12	Base	\$981,397.27*
FY 12/13	8.2%	\$1,820,351.74**
FY 13/14	9.1%	\$1,986,003.74
FY 14/15	11.4%	\$2,212,408.17
FY 15/16	10.8%	\$2,451,348.25
FY 16/17	7.6%	\$2,637,650.72
FY 17/18	5.1%	\$2,772,170.91
FY 18/19	4.7%	\$2,902,462.94
FY 19/20	3.7%	\$3,009,854.07
FY 20/21	3.3%	\$3,109,179.25

* For FY 2011-12, Joint Use Rents are based upon the prorated 7 months remaining in FY 2011-12

**Approximately \$151,696 per month

EXCLUSIVE USE RENTS

(Based on 305 square feet of exclusive use space)

Fiscal Yr.	% Increase	Yearly Rent
FY 11/12	Base	\$161.90*
FY 12/13	8.2%	\$175.18**
FY 13/14	9.1%	\$191.12
FY 14/15	11.4%	\$212.90
FY 15/16	10.8%	\$235.90
FY 16/17	7.6%	\$253.83
FY 17/18	5.1%	\$266.77
FY 18/19	4.7%	\$279.31
FY 19/20	3.7%	\$289.64
FY 20/21	3.3%	\$299.20

* For FY 2011-12, the Exclusive Rents are based upon the prorated 7 months remaining in FY 2011-12

**Approximately \$4,452 per month

\$8,113,102
\$23,882,827
\$700,978
\$32,696,907

FILE NO. 100351

RESOLUTION NO. 208-10

[Airport 2011 Lease and Use Agreements with Various Airlines]

Resolution approving the terms of twenty five (25) new Lease and Use Agreements between City and County of San Francisco and various airlines, effective July 1, 2011, to allow such airlines to conduct domestic and international flight operations at San Francisco International Airport.

WHEREAS, Various airlines conduct flight operations at San Francisco International Airport (the "Airport") pursuant to Airline/Airport Lease and Use Agreements, Lease and Operating Agreements, or Airline Operating Permits (collectively, the "Agreements"), including: Air China Limited - L99-0315; Air France - L99-0316; All Nippon Airways Corporation Limited - L99-0319; American Airlines, Inc. - L82-0111; Asiana Airlines - L99-0318; British Airways, PLC - L99-0320; Cathay Pacific Airways Limited - L99-0321; China Airlines Limited - L82-0315; Delta Air Lines, Inc. - L82-0115; Emirates - Permit 4039; EVA Airways Corporation - L99-0323; Federal Express Corporation, - L82-0318; Frontier Airlines, Inc. - Permit 3129; Japan Airlines International Company Limited - L82-0117; KLM Royal Dutch Airlines - Permit 2579; Korean Airlines Company Limited - L99-0325; Deutsche Lufthansa, AG, dba, Lufthansa German Airlines - L99-0328; Compania Mexicana de Aviacion S.A. de C.V. dba Mexicana Airlines - L83-0045; Philippine Airlines, Inc. - L82-0317; Singapore Airlines Limited - L82-0124; Southwest Airlines Company - Permit 3948; TACA International Airlines - Permit 2048; United Air Lines, Inc. - L82-0126; Virgin America, Inc. - Permit 3951; and Virgin Atlantic Airways Limited Company - L99-0331, (collectively, the "Airlines"); and

WHEREAS, The Airport Commission of the City and County of San Francisco (the "City") and Airlines have negotiated a new Lease and Use Agreement to take effect

1 July 1, 2011 (the "Lease") for a term of ten (10) years to provide for the continuation of flight
2 operations by the Airlines at the Airport; and

3 WHEREAS, The above referenced Airlines desire to lease from City and City desires to
4 ~~lease the said Airlines certain premises at the Airport, as described on Attachment A hereto;~~
5 and

6 WHEREAS, The City also desires to authorize the Airport Director to enter into non-
7 material modifications to the Leases, including changes to the demised premises of not-to-
8 exceed ten percent (10%) of the leased square footage, that the Commission, in consultation
9 with the City Attorney, determines are in the best interests of the Commission and necessary
10 to effectuate the purposes of the Leases and are in compliance with all applicable laws,
11 including the City's Charter; and

12 WHEREAS, The Commission adopted Resolutions on March 16, 2010, approving the new
13 Leases between the Airlines and the City, and authorizing the Airport Director to execute the
14 new Leases, subject to the Airlines complying with Chapter 12B of the City's Administrative
15 Code and other City contracting requirements, or obtaining the appropriate waivers thereto,
16 specifically as follows: Air China Limited – L10-0075 by Resolution No. 10-0075; Air France –
17 L10-0076 by Resolution 10-0076; All Nippon Airways Corporation Limited – L10-0077 by
18 Resolution No 10-0077; American Airlines, Inc. – L10-0078 by Resolution No 10-0078; Asiana
19 Airlines – L10-0079 by Resolution No 10-0079; British Airways, PLC – L10-0080 by
20 Resolution No. 10-0080; Cathay Pacific Airways Limited – L10-0081 by Resolution No. 10-
21 0081; China Airlines Limited – L10-0082 by Resolution No. 10-0082; Delta Air Lines, Inc. –
22 L10-0083 by Resolution No. 10-0083; Emirates – L10-0084 by Resolution No 10-0084; EVA
23 Airways Corporation – L10-0085 by Resolution No. 10-0085; Federal Express Corporation –
24 L10-0086 by Resolution No. 10-0086; Frontier Airlines, Inc. – L10-0087 by Resolution No. 10-
25 0087; Japan Airlines International Company – L10-0088 by Resolution No. 10-0088; KLM

1 Royal Dutch Airlines – L10-0089 by Resolution No. 10-0089; Korean Airlines Company
2 Limited – L10-0090 by Resolution No. 10-0090; Deutsche Lufthansa, AG, dba, Lufthansa
3 German Airlines – L10-0091 by Resolution No. 10-0091; Compania Mexicana de Aviacion
4 ~~S.A. de C.V. dba Mexicana Airlines – L10-0092 by Resolution No. 10-0092; Philippine~~
5 Airlines, Inc. – L10-0093 by Resolution No. 10-0093; Singapore Airlines Limited – L10-0094
6 by Resolution No. 10-0094; Southwest Airlines Company – L10-0095 by Resolution No. 10-
7 0095; TACA International Airlines – L10-0096 by Resolution No. 10-0096; United Air Lines,
8 Inc. – L10-0097 by Resolution No. 10-0097; Virgin America, Inc. – L10-0098 by Resolution
9 No. 10-0098; and Virgin Atlantic Airways Limited Company – L10-0099 by Resolution No. 10-
10 0099; and

11 WHEREAS, A copy of the form of the 2011 Lease and Use Agreement is on file with
12 the Clerk of the Board of Supervisors in File No. 100351, which is hereby declared to be a part
13 of this resolution as if set forth fully herein; now, therefore, be it

14 RESOLVED, That this Board of Supervisors approves the new Leases with Air China Limited
15 – L10-0075; Air France – L10-0076; All Nippon Airways Corporation Limited – L10-0077;
16 American Airlines, Inc. – L10-0078; Asiana Airlines – L10-0079; British Airways, PLC – L10-
17 0080; Cathay Pacific Airways Limited – L10-0081; China Airlines Limited – L10-0082; Delta
18 Air Lines, Inc. – L10-0083; Emirates – L10-0084; EVA Airways Corporation – L10-0085;
19 Federal Express Corporation – L10-0086; Frontier Airlines, Inc. – L10-0087; Japan Airlines
20 International Company – L10-0088; KLM Royal Dutch Airlines – L10-0089; Korean Airlines
21 Company Limited – L10-0090; Deutsche Lufthansa, AG, dba, Lufthansa German Airlines –
22 L10-0091; Compania Mexicana de Aviacion S.A. de C.V. dba Mexicana Airlines – L10-0092;
23 Philippine Airlines, Inc. – L10-0093; Singapore Airlines Limited – L10-0094; Southwest
24 Airlines Company – L10-0095; TACA International Airlines – L10-0096; United Air Lines, Inc.
25 – L10-0097; Virgin America, Inc. – L10-0098; and Virgin Atlantic Airways Limited Company –

1 L10-0099, subject to the Airlines complying with Chapter 12B of the City's Administrative
2 Code and other City contracting requirements, or obtaining the appropriate waivers thereto;
3 and, be it

4 ~~RESOLVED, That this Board of Supervisors authorizes the Airport Director to enter into~~
5 non-material modifications to the Leases, including changes to the demised premises of not-
6 to-exceed ten percent (10%) of the leased square footage, that the Commission, in
7 consultation with the City Attorney, determines are in the best interests of the Commission
8 and necessary to effectuate the purposes of the Leases and are in compliance with all
9 applicable laws, including the City's Charter.

ATTACHMENT A

Exclusive Use Space Summary (in square feet)						
Airline		Categories of Rent				
		Cat I	Cat II	Cat III	Cat IV	Cat V
1	Air China Limited	-	409	916	-	-
2	Air France	-	4,673	537	158	-
3	All Nippon Airways Corp. Limited	-	1,777	-	-	-
4	American Airlines, Inc.	1,452	25,728	19,698	551	-
5	Asiana Airlines	-	1,789	-	-	-
6	British Airways, PLC	-	8,917	1,236	-	-
7	Cathay Pacific Airways Limited	-	2,616	-	-	-
8	China Airlines Limited	-	3,249	-	-	-
9	Delta Air Lines, Inc.	1,784	28,190	20,264	8,481	-
10	Emirates	-	1,696	-	-	-
11	EVA Airways Corporation	-	4,056	495	-	-
12	Federal Express Corporation	-	-	-	-	-
13	Frontier Airlines, Inc.	277	3,695	781	4,247	-
14	Japan Airlines Int'l Co. Limited	-	6,547	647	-	-
15	KLM Royal Dutch Airlines	-	607	-	-	-
16	Korean Airlines Company Limited	-	1,534	421	-	-
17	Lufthansa German Airlines	-	2,292	1,023	-	-
18	Mexicana Airlines	-	1,599	594	-	-
19	Philippine Airlines, Inc.	-	4,192	-	-	-
20	Singapore Airlines Limited	-	5,190	588	-	-
21	Southwest Airlines Company	732	9,199	6,900	10,833	-
22	TACA International Airlines	-	672	-	-	-
23	United Air Lines, Inc.	5,585	94,187	71,297	191,207	21,610
24	Virgin America, Inc.	1,096	899	7,185	-	-
25	Virgin Atlantic Airways Limited	-	4,898	425	-	-

Joint Use Space Summary (in square feet)					
International Airlines	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
International Terminal	138,367	214,307	12,025	265,400	1,888
Total = 631,987 square feet					
Terminal 1	-	216	-	791	-
Total = 1,007 square feet					
Terminal 2	-	13,006	-	78,957	-
Total = 91,963 square feet					
Terminal 3	-	-	-	-	-
Total = 0 square feet					



City and County of San Francisco
Tails
Resolution

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

File Number: 100351

Date Passed: May 11, 2010

Resolution approving a term of twenty five (25) new Lease and Use Agreements between the City and County of San Francisco and various airlines, effective July 1, 2011, to allow such airlines to conduct domestic and international flight operations at the San Francisco International Airport.

May 11, 2010 Board of Supervisors - ADOPTED

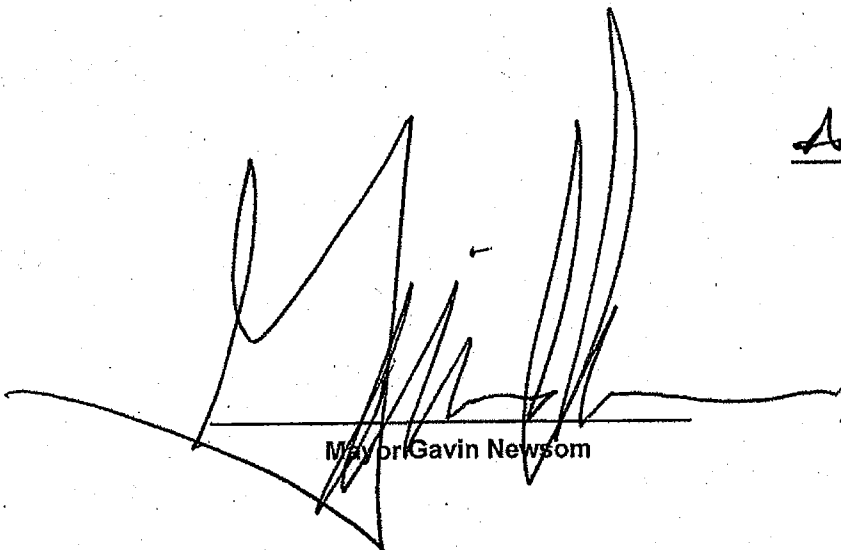
Ayes: 11 - Alioto-Pier, Avalos, Campos, Chiu, Chu, Daly, Dufty, Elsbernd, Mar, Maxwell and Mirkarimi

File No. 100351

I hereby certify that the foregoing Resolution was ADOPTED on 5/11/2010 by the Board of Supervisors of the City and County of San Francisco.



Angela Calvillo
Clerk of the Board



Mayor Gavin Newsom

5/21/2010

Date Approved



San Francisco International Airport

September 30, 2011

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

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2011 OCT 21 PM 5:07
RL

Subject: Approval of New Lease and Use Agreements between Swiss International Air Lines, Limited, 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 one (1) new 2011 Lease and Use Agreement (the "Lease"), to be effective upon full City approval, between the City and County of San Francisco, acting by and through its Airport Commission, and Swiss International Air Lines, Limited ("Swiss International"), which grants operating rights for flight operations and terminal rental at San Francisco International Airport. The Lease was approved by Airport Commission Resolution No. 11-0182, adopted August 16, 2011.

The Lease provides for terminal rental of approximately three hundred five (305) square feet of Exclusive Use Space, and six hundred sixty-four thousand two hundred forty-three (664,243) square feet of Joint Use Space in the International Terminal. The term of the Lease is approximately nine (9) years and seven (7) months, pending approval of the Board of Supervisors, and has a projected annual rent of approximately \$2.2 Million based on 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 Resolution No. 11-0182; and
- Commission Memorandum; and
- Two (2) Form SFEC-126: Notification of Contract Approval

A sample of the form of the Lease may be provided via email. You may contact Cathy Widener, Governmental Affairs Manager, at (650) 821-5023 regarding this matter.

Very truly yours,

Jean Caramatti
Jean Caramatti
Commission Secretary

Enclosures

cc: Cathy Widener

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 11-0182

APPROVAL OF LEASE AND USE AGREEMENT WITH SWISS INTERNATIONAL AIR LINES, LIMITED PROVIDING FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN FRANCISCO INTERNATIONAL AIRPORT.

WHEREAS, Swiss International Air Lines, Limited ("Airline") conducts flight operations at San Francisco International Airport (the "Airport") pursuant to Airline Operating Permit No. 4120; and,

WHEREAS, the Airline wishes to become a signatory airline at the Airport pursuant to a 2011 Lease and Use Agreement (the "2011 Lease"), a lease comparable to one recently approved for thirty-nine (39) other airlines at the Airport; and,

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

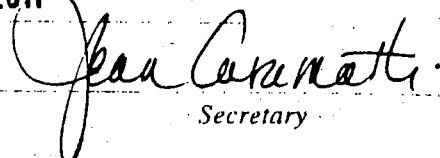
WHEREAS, the Airport Commission of the City and County of San Francisco, acting by and through its Airport Commission (the "Commission") and Airline now desires to enter into the 2011 Lease on the same terms and conditions except that the term will be nine (9) years and approximately eight (8) months, with the exact term dependent upon full approval of the 2011 Lease by the City; now, therefore, be it

RESOLVED, that this Commission approves the 2011 Lease between Swiss International Air Lines, Limited 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 2011 Lease and Use Agreement for Swiss International Air Lines, Limited 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 16 2011


Secretary



San Francisco International Airport

MEMORANDUM

August 16, 2011

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: Approval of 2011 Lease and Use Agreement with Swiss International Air Lines, Limited

DIRECTOR'S RECOMMENDATION: ADOPT THE ACCOMPANYING RESOLUTION THAT AUTHORIZES A LEASE AND USE AGREEMENT FOR SWISS INTERNATIONAL AIR LINES, LIMITED FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN FRANCISCO INTERNATIONAL AIRPORT.

Executive Summary

On June 30, 2011, all 1981 Airline/Airport Lease and Use Agreements and 1999 Lease and Operating Agreements expired. San Francisco International Airport (the "Airport") and the airlines have negotiated a new Lease and Use Agreement (the "2011 Lease") to be effective July 1, 2011. The 2011 Lease has a term of ten (10) years and continues the current residual rate-setting methodology for 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.

Between the period of March 16, 2010, and April 7, 2011, the 2011 Lease between the thirty-nine (39) airlines and the City was approved by the Airport Commission and Board of Supervisors. Staff is now seeking approval of the 2011 Lease with Swiss International Air Lines, Limited ("Swiss International") under the same terms and conditions except that the term will commence upon full approval by the City and terminate on June 30, 2021.

THIS PRINT COVERS CALENDAR ITEM NO. 13

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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

Background

Most of the airlines operating at the Airport were parties to the 1981 Airline/Airport Lease and Use Agreement or the 1999 Lease and Operating Agreement, all of which expired on June 30, 2011. Over the past several years, the Airport and the airlines negotiated the terms of the 2011 Lease, to be effective July 1, 2011, which has a term of ten (10) years and continues the current residual rate-setting methodology for terminal rental rates and landing fees based on the Airport's Rates and Charges. As of July 1, 2011, thirty-nine (39) airlines have become signatory airlines pursuant to the 2011 Lease, as listed on *Attachment A* hereto. The major business terms of the 2011 Lease are provided on *Attachment B* hereto.

The Airport continued to offer the 2011 Lease to any remaining airlines that wish to obtain signatory status at the Airport. On April 27, 2011, Swiss International executed the 2011 Lease, for rental of Exclusive space and a participant in International Terminal Joint Use space as summarized on *Attachment C*. This lease for Swiss International is the same terms and conditions except that the term of the 2011 Lease will be approximately nine (9) years and eight (8) months, becoming effective on the date that their 2011 Lease is fully approved by the City. Staff is now seeking Commission approval of the 2011 Lease with Swiss International, contingent upon approval of the Board of Supervisors.

Swiss International is in full compliance with the Equal Benefits Ordinance and will be obligated to be in compliance with other City contracting requirements, as applicable.

Recommendation

I recommend adoption of the accompanying resolution that authorizes the Director to execute a 2011 Lease with Swiss International, and direct the Commission Secretary to request Board of Supervisors' approval of such 2011 Lease in accordance with City Charter Section 9.118.


John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachments

ATTACHMENT A

2011 Leases Effective July 1, 2011

Airline Agreement Title	Lease Number
ABX Air 2011 Lease and Use	L11-0005
Air Berlin 2011 Lease and Use	L11-0006
Air Canada 2011 Lease and Use	L11-0007
Air Cargo Carriers 2011 Lease and Use	L11-0008
Air China 2011 Lease and Use	L10-0075
Air France 2011 Lease and Use	L10-0076
Air New Zealand 2011 Lease and Use	L11-0009
Alaska Airlines 2011 Lease and Use	L10-0274
All Nippon Airways 2011 Lease and Use	L10-0077
American Airlines 2011 Lease and Use	L10-0078
Ameriflight 2011 Lease and Use	L11-0010
Asiana Airlines 2011 Lease and Use	L10-0079
British Airways 2011 Lease and Use	L10-0080
Cathay Pacific Airways 2011 Lease and Use	L10-0081
China Airlines 2011 Lease and Use	L10-0082
Continental Airlines 2011 Lease and Use	L10-0275
Delta Air Lines 2011 Lease and Use	L10-0083
Emirates 2011 Lease and Use	L10-0084
EVA Airways 2011 Lease and Use	L10-0085
Federal Express 2011 Lease and Use	L10-0086
Frontier Airlines 2011 Lease and Use	L10-0087
Hawaiian Airlines 2011 Lease and Use	L11-0011
Japan Airlines 2011 Lease and Use	L10-0088
Kalitta Air 2011 Lease and Use	L10-0277
KLM Royal Dutch Airlines 2011 Lease and Use	L10-0089
Korean Airlines 2011 Lease and Use	L10-0090
LAN Peru 2011 Lease and Use	L11-0012
Lufthansa German Airlines 2011 Lease and Use	L10-0091
Mexicana Airlines 2011 Lease and Use	L10-0092
Nippon Cargo Airlines 2011 Lease and Use	L10-0278
Philippine Airlines 2011 Lease and Use	L10-0093
Singapore Airlines 2011 Lease and Use	L10-0094
Southern Air 2011 Lease and Use	L10-0279
Southwest Airlines 2011 Lease and Use	L10-0095
TACA 2011 Lease and Use	L10-0096
United Air Lines 2011 Lease and Use	L10-0097
U.S. Airways 2011 Lease and Use	L10-0276
Virgin America 2011 Lease and Use	L10-0098
Virgin Atlantic 2011 Lease and Use	L10-0099

ATTACHMENT B

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. (Note: the Swiss International 2011 Lease will be effective on that date that it receives full approval by the City, therefore the Term will be nine (9) years and a number of months, yet to be determined).
- 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

ATTACHMENT B

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.

ATTACHMENT B

- 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.

ATTACHMENT B

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 C

Exclusive Use Space Summary (in square feet)

Airline	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
Swiss International Air Lines, Ltd.	-	305	-	-	-

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

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

City Elective Officer Information <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
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Swiss International Air Lines Ltd. ("SWISS")	
<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>	
Bruno Gehrig, Chairman of the Board Walter Bosch, Member Christoph Franz, Member	Jacques Aigrain, Member Stefan Lauer, Member
Contractor address: 1640 Hempstead Turnpike, East Meadow, NY 11554	
Date that contract was approved: TBD	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

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board of Supervisors	Contact telephone number: (415) 554-5184
Address: 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102-4689	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

