

**MODIFICATION NUMBER 2 TO
LEASE AGREEMENT FOR A PORTION OF PLOT 40 SUPERBAY HANGAR
SAN FRANCISCO INTERNATIONAL AIRPORT**

AMERICAN AIRLINES, INC.

Lease No. L13-0071

THIS MODIFICATION NUMBER 2 TO LEASE (this "**Modification**"), dated _____, 2017, is entered into by and between the City and County of San Francisco, a municipal corporation, acting by and through its Airport Commission, as landlord ("**City**"), and American Airlines, Inc., a Delaware corporation, as tenant ("**Tenant**").

RECITALS

- A. City owns that certain real property at the San Francisco International Airport (the "**Airport**"), located at 1060 North Access Road, San Francisco, California, on Plot 40, and hereinafter referred to as the "**SuperBay Hangar**".
- B. City and Tenant are parties to Lease No. 13-0071, dated April 8, 2013, authorized by Airport Commission Resolution No. 13-0071 and Board of Supervisors Resolution No. 370-13 (the "**Lease**") for a portion of the SuperBay Hangar, which is used for aircraft maintenance, aircraft parking, and employee parking.
- C. The premises under the Lease consists of approximately 127,900 square feet of hangar space on the 1st floor, 38,900 square feet of hangar space on the 2nd and 4th floors, 17.4 acres of land for aircraft parking, 11,500 square feet of general services equipment shop area, 6.18 acres of land for employee parking, and 1.5 acres of land for an equipment wash rack area, the latter being on a non-exclusive basis, (the "**Premises**"), as more fully described on Exhibits A-1, A-2 and A-3 to the Lease, Airport Drawing AAPLOT40, dated March 28, 2013, and Airport Drawings PLOT4002 and PLOT 4003, both dated February 5, 2013.
- D. On September 6, 2016, pursuant to Airport Commission Resolution No. 16-0240, City approved Modification No. One to the Lease wherein the Premises was reduced to accommodate an Airport project. Due to unforeseen circumstances, full City approval and execution of Modification No. One was never achieved. On January 17, 2017, Modification No. One was rescinded, pursuant to Airport Commission Resolution No. 17-17-0011 and replaced with Modification No. 2 to the Lease.
- E. City and United Airlines, Inc. ("**United**") are parties to that certain Lease No. 04-0058, dated June 1, 2004, authorized by Airport Commission Resolution No. 04-0058 and Board of Supervisors Resolution No. 0063-04 (the "**United Lease**") for another portion of the SuperBay Hangar, also used for aircraft maintenance, aircraft parking and employee parking.

- F. The leased premises under the United Lease consists of approximately 127,900 square feet of hangar space on the 1st floor, and 18.62 acres of land, of which 17.14 acres are used for aircraft parking and 1.48 acres are used for employee parking, and 1.5 acres of land for an equipment wash rack area, the latter being on a non-exclusive basis (the “**United Premises**”).
- G. City wishes to reconfigure the employee parking lots under Tenant’s Lease and the United Lease in order to accommodate future demand for construction contractor parking related to the Airport’s Capital Improvement Plan.
- H. City has proposed a recapture of a portion of Tenant’s employee parking lot, consisting of approximately 1.19 acres (the “**Recapture Parcel**”).
- I. Tenant and City now desire to modify the terms of the Lease to provide for the recapture of land to accommodate the aforementioned reconfiguration, pursuant to this Modification.

NOW, THEREFORE, in consideration of the foregoing and mutual covenants set forth herein, and other good and valuable consideration, receipt of which is hereby acknowledged, City and Tenant hereby agree as follows:

1. Recitals; Effective Date; Defined Terms.

- (a) The recitals set forth above are true and correct and are hereby incorporated in their entirety.
- (b) The effective date (the “**Effective Date**”) of this Modification shall be the first day of the month following the final approval by the San Francisco Board of Supervisors.
- (c) Capitalized terms not defined herein shall have the meanings given them in the Lease.

2. Premises Reduction. From and after the Effective Date, the Premises shall be modified by the reduction of the Recapture Parcel, resulting in a reconfigured employee parking lot consisting of approximately 4.99 acres, as more fully described on Airport Drawing AAPLOT40, dated January 4, 2017, attached hereto as Exhibit A and incorporated herein. From and after the Effective Date, Tenant releases, relinquishes and surrenders to City, all of Tenant’s right, title, and interest in and to the Recapture Parcel.

3. Premises. From and after the Effective Date, the Premises under the Lease shall consist of approximately 127,900 square feet of hangar space on the 1st floor, 38,900 square feet of hangar space on the 2nd and 4th floors, 17.4 acres of land for aircraft parking, 11,500 square feet of general services equipment shop area, 4.99 acres of land for employee parking, and 1.5 acres of land for an equipment wash rack area, the latter being on a non-exclusive basis. As of the Effective Date, the term “**Premises**” as used in the

Lease and in this Modification below shall mean the Premises as modified pursuant to this Modification.

4. **Exhibit Exchange.** From and after the Effective Date, Exhibit A-1 to the Lease, Airport Drawing AAPLOT40 dated March 28, 2013, shall be deleted in its entirety and substituted with Exhibit A-1 hereto, Airport Drawing No. AAPLOT40, dated January 4, 2017.
5. **Recapture Parcel – Condition of Return.** City agrees to take possession of the Recapture Parcel in “as is” condition provided, however, those obligations, releases and indemnities which survive expiration or termination of the Lease shall continue in full force and effect as they relate to the Recapture Parcel.
6. **Rent.** The annual rent attributable to the land leased by Tenant for employee parking shall be modified in accordance with the reduced acreage on the Effective Date of this Modification.
7. **City and Other Governmental Provisions.** The following Sections 7.1 through 7.3 shall be added to the Lease:

7.1 Local Hire. Tenant’s construction activities are subject to the San Francisco Local Hiring Policy for Construction (“**Local Hire Policy**”) (San Francisco Administrative Code Section 6.22(G)) unless the construction activities are undertaken and contracted for by Tenant and are estimated to cost less than \$750,000 per building permit or meet any of the other exemptions in San Francisco Administrative Code Section 6.22(G). Accordingly, Tenant, as a condition of this Lease, agrees that, unless subject to an exemption or conditional waiver, Tenant shall comply with the obligations in San Francisco Administrative Code Section 6.22(G) and shall require Tenant’s subtenant to comply with such obligations to the extent applicable. Before starting any work subject to this Section, Tenant shall contact the City’s Office of Economic Workforce and Development (“**OEWD**”) to verify the Local Hire Policy requirements that apply to that work and shall comply with all such requirements. Tenant’s failure to comply with the obligations in this Section shall constitute a material breach of this Lease and may subject Tenant to the consequences of noncompliance specified in the Local Hire Policy, including but not limited to penalties.

- A. For each contractor and subcontractor performing improvements in amounts exceeding the “Threshold Amount” for a “Covered Project” (as such terms are as defined in the Local Hire Policy), Tenant shall comply with the applicable mandatory participation levels for Project Work Hours performed by Local Residents, Disadvantaged Workers, and Apprentices set forth in Administrative Code Section 6.22(G)(4).

- B. For Covered Projects estimated to cost more than \$1,000,000, prior to commencement of any work subject to the Local Hire Policy, Tenant shall prepare and submit to City and OEWD for approval a “local hiring plan” for the project in accordance with Administrative Code Section 6.22(G)(6)(a).
- C. Tenant shall comply with applicable recordkeeping and reporting requirements and shall cooperate in City inspections and audits for compliance with the Local Hire Policy, including allowing access to employees of its contractors and subcontractors and other witnesses at the Premises.
- D. Tenant agrees that (i) Tenant shall comply with all applicable requirements of the Local Hire Policy; (ii) the provisions of the Local Hire Policy are reasonable and achievable by Tenant; and (iii) Tenant has had a full and fair opportunity to review and understand the terms of the Local Hire Policy.

7.2 All-Gender Toilet Facilities. If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of the building where extensive renovations take place and toilet facilities are required or provided. An “all-gender toilet facility” means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and “extensive renovations” means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this Section.

8. Full Force and Effect. As modified hereby, all other terms and conditions of the Lease shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have executed this Modification by their duly authorized officers, as of the day and year first above written.

TENANT: AMERICAN AIRLINES, INC.
a Delaware corporation

By: 
Kirk Hotelling
Managing Director of Airports

CITY: CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation,
acting by and through its Airport Commission

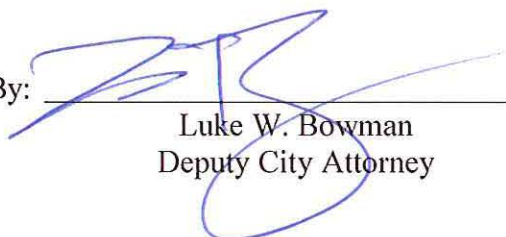
By: _____
Ivar C. Satero
Airport Director *IK Satero*

AUTHORIZED BY AIRPORT COMMISSION:

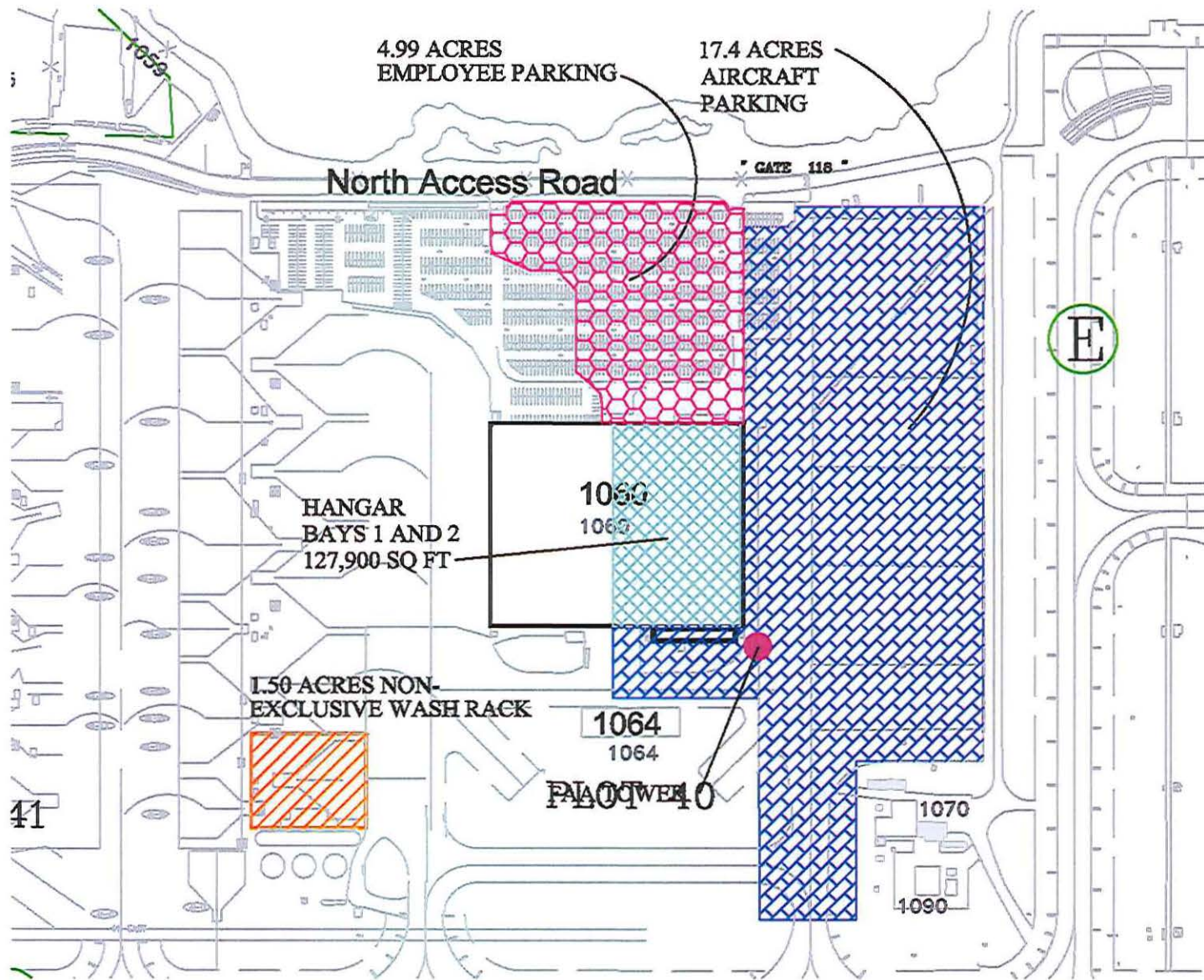
Resolution No. 17-0011
Adopted: January 17, 2017

Attest: _____
Jean Caramatti
Secretary, Airport Commission

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: 
Luke W. Bowman
Deputy City Attorney

4.28.17
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KEY PLAN

EXHIBIT A-1

TENANT LOCATION LEASE DRAWING		LOCATION	TENANT	CAT	AREA	CONTRACT	EFF DATE
		BAYS 1 & 2	AA		127,900'	L13-0071	
LOCATION: SUPERBAY PLOT 40 - BUILDING 1060		PART PLOT 40	AA		17.4 ACRE	L13-0071	
AMERICAN AIRLINES		PARKING	AA		4.99 ACRE	L13-0071	
CITY & COUNTY OF SAN FRANCISCO	DWG: AAPLOT40	WASH RACK	AA		1.50 ACRE	L13-0071	
AIRPORTS COMMISSION	SCALE: 1"=1000'						
SAN FRANCISCO INTERNATIONAL AIRPORT	DATE: 01/04/2017						