



San Francisco International Airport

MEMORANDUM

December 3, 2013

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 a Lease with Southwest Airlines Co.

DIRECTOR'S RECOMMENDATION: ADOPT THE ACCOMPANYING RESOLUTION:
1) APPROVING A LEASE WITH SOUTHWEST AIRLINES CO. FOR CARGO WAREHOUSE, OFFICE SPACE, AND RAMP SPACE IN CARGO BUILDING NO. 606 ON PLOT 9B; AND
2) DIRECTING THE COMMISSION SECRETARY TO FORWARD THE LEASE TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

Southwest Airlines Co. ("Southwest") wishes to enter into a lease for cargo warehouse and office space at Cargo Building No. 606 on Plot 9B, as shown on the attached Exhibit A, to conduct its air cargo operation. The leasehold is comprised of approximately 11,906 square feet of cargo warehouse and office space, and approximately 0.061 acres (2,640 square feet) of ramp space, with a combined annual rent of \$262,752.20, based on \$21.70 per square foot per year for the warehouse and office space, and \$72,000 per acre per year for the ramp space ("Lease"). The Lease will have a term of five (5) years.

Background

Southwest has operated at San Francisco International Airport (the "Airport") since 2007 under permit, and became a signatory airline in 2011 under Airline-Airport Lease and Use Agreement No. L10-0095.

On June 1, 2007, Southwest entered into Permit No. 3958 with the Airport for cargo warehouse and office space in Cargo Building No. 632 on Plot 9; however, due to the start of construction for the new West Field Cargo Building, Southwest was required to vacate its premises. Staff worked closely with Southwest to identify an alternative location for its operations. Following a review of various options, Southwest opted to relocate its operation to Cargo Building No. 606 on Plot 9B.

On April 1, 2013, Southwest entered into Permit No. 4295, on a month-to-month basis, for exclusive use space in Cargo Building No. 606 and ramp space adjacent to the warehouse for their cargo operation. Southwest now desires to make a longer term commitment to the Airport by entering into the Lease with the Airport for its exclusive use space in Cargo Building No. 606 and ramp space adjacent to the warehouse. The Lease is subject to Airport Commission and Board of Supervisors' approval.

THIS PRINT COVERS CALENDAR ITEM NO. 14

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

Proposal

The proposed major business terms are as follows:

1. **Permitted Use:** Conduct air cargo related business, including receiving, delivering, dispatching, processing, handling, and storage of air cargo, mail and any other lawful purpose related to such activities.
2. **Commencement Date:** Upon approval by City.
3. **Term:** Five (5) years
4. **Premises:**
 - a) Approximately 11,906 square feet of cargo warehouse and office space in Cargo Building No. 606 on Plot 9B;
 - b) Approximately 0.061 acres (2,640 square feet) of ramp space adjacent to Cargo Building No. 606 on Plot 9B.
5. **Non-Exclusive Areas:** ULD/GSE storage area and customer vehicle parking.
6. **Annual Rent:**
 - a) \$258,360.20 based on \$21.70 per square foot, per year according to Airport's Rates and Charges Warehouse II schedule, as the same may be adjusted from time to time;
 - b) \$4,392.00 per year based on a rate of \$72,000 per acre, per year for ramp space. Rate is subject to annual Consumer Price Index ("CPI") adjustments.
7. **Services and Utilities:** At Southwest's sole expense.
8. **Maintenance:** The Airport will maintain the base-building infrastructure and building systems to a point of connection. Southwest will maintain all tenant improvements and all other systems or equipment located in Cargo Building No. 606.

Recommendation

I recommend adoption of the accompanying Resolution that: 1) approves the Lease with Southwest Airlines Co., with a term of five (5) years, for a total of 11,906 square feet of warehouse/office space and 2,640 square feet of ramp space adjacent to the warehouse Cargo Building No. 606 at an annual rent of \$262,752.20; and 2) directs the Commission Secretary to forward the Lease to the Board of Supervisors for approval.

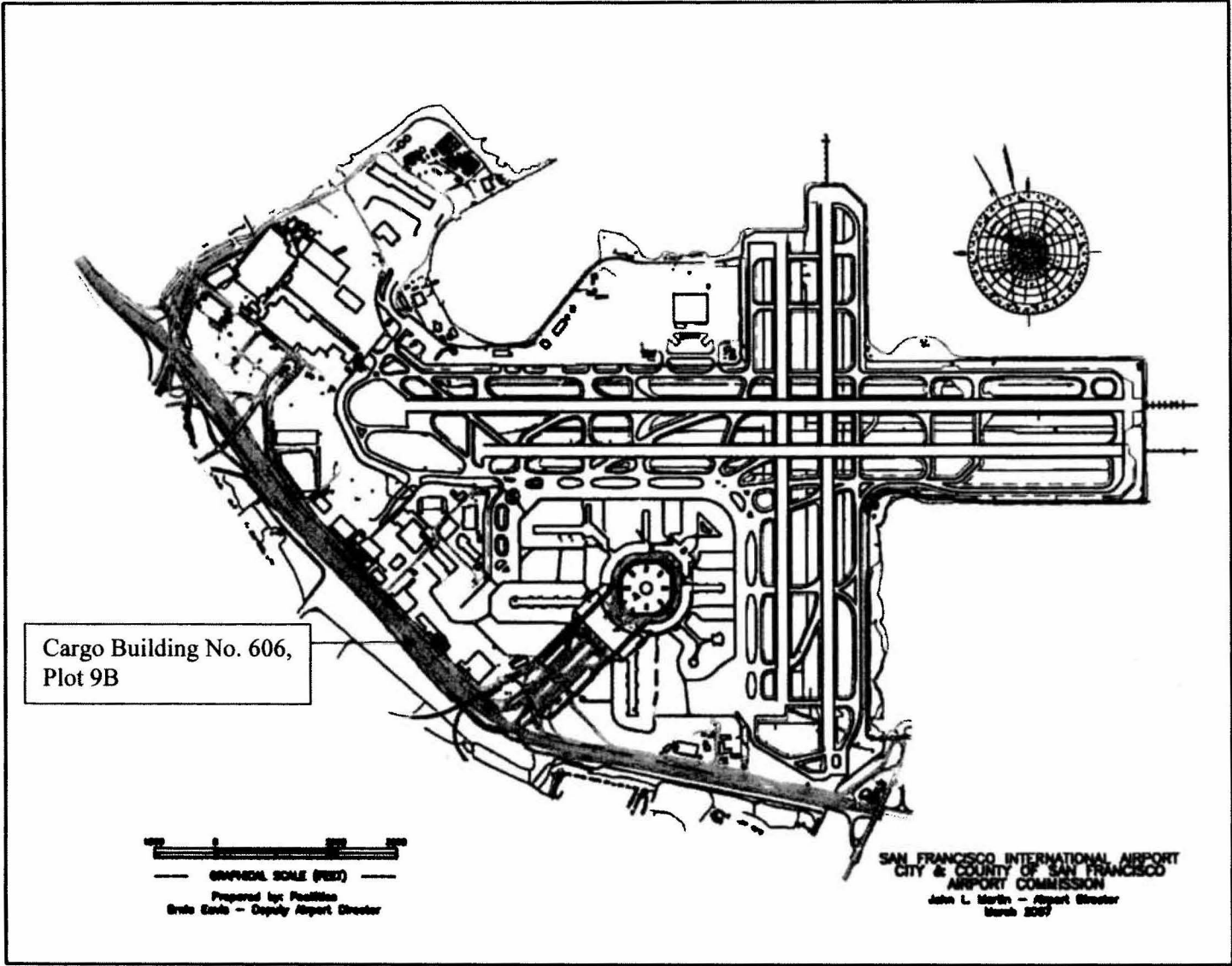


John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business & Finance

Exhibit A

PREMISES



AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 13_0257

RESOLUTION 1) APPROVING A LEASE WITH SOUTHWEST AIRLINES CO. FOR CARGO WAREHOUSE, OFFICE SPACE AND RAMP SPACE IN CARGO BUILDING NO. 606 ON PLOT 9B; AND 2) DIRECTING THE COMMISSION SECRETARY TO FORWARD THE LEASE TO THE BOARD OF SUPERVISORS FOR APPROVAL

WHEREAS, Southwest Airlines Co. ("Southwest") is a signatory airline pursuant to 2011 Lease and Use Agreement No. L10-0095; and

WHEREAS, Southwest currently conducts its cargo handling operations at Building 606 on Plot 9B (the "Premises"), pursuant to Permit No. 4295, on a month-to-month basis; and

WHEREAS, Southwest desires a longer term commitment with the Airport for the Premises by entering into a lease with a term of five (5) years; and

WHEREAS, the initial rent for the warehouse and office space will be \$258,360.20 based on Cargo Facilities Warehouse Rate II of \$21.70 per square foot per year, as adjusted by the Airport's rates and charges; and the initial rent for the ramp space will be \$4,392.00 based on \$72,000 per acre per year subject to Annual CPI adjustments; now, therefore, be it

RESOLVED, that the Airport Commission hereby approves and authorizes the Airport Director to execute a five (5) year Lease with Southwest for approximately 11,906 square feet of cargo warehouse and office space in Cargo Building No. 606 on Plot 9B, and approximately 2,640 square feet of ramp space adjacent to Cargo Building No. 606; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of the Lease 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

DEC 03 2013

at its meeting of _____


Secretary