

MODIFICATION NO. 1 TO
2011 LEASE AND USE AGREEMENT L10-0274
SAN FRANCISCO INTERNATIONAL AIRPORT
ALASKA AIRLINES, INC.

THIS MODIFICATION OF AGREEMENT (this “**Modification**”), dated as of _____, 2019, is entered into by and between the City and County of San Francisco, acting by and through its Airport Commission (“**City**”), and Alaska Airlines, Inc., an Alaska corporation (“**Alaska**”).

Recitals

A. The City and County of San Francisco owns San Francisco International Airport (the “**Airport**”) located in the County of San Mateo, State of California, which Airport is operated by and through the Airport Commission, the chief executive officer of which is the Airport Director.

B. Pursuant to Airport Commission Resolution No. 10-0274, dated August 17, 2010, and Board of Supervisors Resolution No. 505-10, dated November 5, 2010, Alaska became a Signatory to the 2011 Lease and Use Agreement Lease No. L10-0274 (the “**Alaska Lease**”) with the City, effective July 1, 2011, whereby Alaska commenced a lease agreement with the City for a term of ten years with landing rights and the rental of certain Exclusive Use Space, Joint Use Space, and Preferential Use Space located in Terminal 1 at the Airport. In August 2014, at the Airport’s request, Alaska temporarily relocated from Terminal 1 to the International Terminal to accommodate the Airport’s Terminal 1 Renovation Project, pursuant to Exhibit L No. 1.

C. Pursuant to Airport Commission Resolution No. 10-0098, dated March 16, 2010, and Board of Supervisors’ Resolution No. 208-10, dated May 11, 2010, Virgin America, Inc. (“**Virgin**”) became a Signatory to the 2011 Lease and Use Agreement Lease No. L10-0098 (the “**Virgin Lease**”) with the City, effective July 1, 2011, whereby Virgin commenced a lease agreement with the City for a term of ten years with landing rights and the rental of certain Exclusive Use Space, Joint Use Space, and Preferential Use Space located in Terminal 2 at the Airport.

D. On January 11, 2018, the FAA issued a single operating certificate to Alaska and Virgin. On March 30, 2018, Alaska provided written notice to the Airport of its plan to merge with Virgin (the “**Alaska-Virgin Merger**”). Pursuant to subsequent Exhibit L No. 2 through 5, Alaska’s Demised Premises was subject to certain modifications related to the Alaska-Virgin Merger which required it to co-locate its domestic operations with Virgin’s in Terminal 2. Alaska currently occupies space in both Terminal 2 and the International Terminal, as more specifically set forth below.

E. On April 26, 2018, Alaska and Virgin completed the consolidation of their respective passenger check-in functions in Terminal 2, and ceased all flights nationwide under the Virgin brand. The parties finalized the Alaska-Virgin Merger on July 20, 2018, wherein Alaska became the surviving corporation.

F. By letter dated January 25, 2019, Alaska notified City of Alaska’s desire to modify the terms of the Virgin Lease to provide for its early termination, in its entirety, and relinquishment of all Exclusive Use Space and Joint Use Space in Terminal 2 and Boarding Area D, comprised of:

Exclusive Use Space	
Category I	997 sq. ft.
Category II	816 sq. ft.
Category III	6,719 sq. ft.
Category IV	0 sq. ft.
Category V	720 sq. ft.

Joint Use Space	
Category II	13,006 sq. ft.
Category IV	78,957 sq. ft.

G. Alaska, as successor-by-merger to Virgin, and City now desire to modify the terms of the Alaska Lease to provide for the incorporation of the Exclusive Use Space and Joint Use Space formerly occupied by Virgin in Terminal 2. The Preferential Use Space is reallocated annually in accordance with Article 3 of the Alaska Lease.

H. Staff has prepared, and is seeking Commission approval of, this Modification which will incorporate the aforementioned relinquished Exclusive Use Space and Joint Use Space into the Demised Premises under the Alaska Lease. Concurrently, staff is seeking Commission approval of Modification No. 1 to the Virgin Lease (the “**Virgin Lease Modification**”) which grants early termination of the Virgin Lease, which approval will be contingent upon the Commission’s approval of this Modification.

I. Virgin is also party to Airline Terminal Space or Use Permit P4265 (the “Permit”) wherein it occupies 2,984 square feet of Category III Exclusive Use Space and 480 square feet of Category V Exclusive Use Space in Terminal 2. Pursuant to the Fourth Amendment to the Permit, Alaska assumed all of Virgin’s rights under the Permit, and effective July 20, 2018, the date that the Alaska-Virgin Merger was finalized, Alaska became successor Permittee under the Permit. The aforementioned permitted space under the Permit will also be incorporated into Alaska’s Demised Premises pursuant to this Modification.

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

1. Effective Date; Defined Terms.

(a) The effective date (the “**Effective Date**”) of this Modification shall be the first day of the month following full City approval and conditioned upon the following: (1) the Airport Commission and Board of Supervisors shall have approved this Modification; and (2) the Airport Commission and Board of Supervisors shall have approved the Virgin Lease Modification, and (3) each of the parties shall have executed this Modification and the Virgin Lease Modification.

(b) Capitalized terms not defined herein shall have the meanings given them in the Alaska Lease.

2. Demised Premises. From and after the Effective Date, Alaska’s Demised Premises shall be modified as follows:

EXCLUSIVE USE SPACE				
Category Type	Terminal	Exclusive Use Space <i>Pre Modification</i>	Exclusive Use Space Added from Virgin Lease and Permit P4265	Exclusive Use Space <i>Post Modification</i>
Category I	2	1,103	977	2,080
Category II	2	959	816	1,775
Category III	2	4,594	9,703	14,297
Category IV	2	0	0	0
Category V	2	0	1,200	1,200
Category I	Intl. Terminal	0	0	0
Category II	Intl. Terminal	0	0	0
Category III	Intl. Terminal	1,938	0	1,938
Category IV	Intl. Terminal	1,403	0	1,403
Category V	Intl. Terminal	430	0	430

JOINT USE SPACE				
Category Type	Terminal	Joint Use Space <i>Pre Modification</i>	Joint Use Space <i>Added</i>	Joint Use <i>Post Modification</i>
Category II	2	13,006	0	13,006
Category IV	2	78,957	0	78,957
Category II	Intl. Terminal	205,711	0	205,711

3. Exhibits. From and after the Effective Date, Exhibit D, dated April 5, 2019, shall supersede Exhibit D to the original Alaska Lease and all subsequent Space Change Summary Notices (Exhibit L No. 1 through Exhibit No. 4) which will be deleted in their entirety. Exhibit D, dated April 5, 2019, shall be incorporated herein and is attached hereto.

4. City Contracting Provisions.

(a) The following sections are hereby added to the Alaska Lease as follows:

Section 1821 Local Hire. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 (the “**Local Hiring Requirements**”). All Alterations under this Agreement are subject to the Local Hiring Requirements unless the cost for such work is (a) estimated to be less than \$750,000 per building permit or (b) meets any of the other exemptions in the Local Hiring Requirements. Airline agrees that it shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Alteration, Airline shall contact City’s Office of Economic Workforce and Development (“**OEWD**”) to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a “Covered Project”). Airline shall include, and shall require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Airline shall cooperate, and require its subtenants to cooperate, with City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Airline’s failure to comply with its obligations under this Section shall constitute a material breach of this Agreement. A contractor’s or subcontractor’s failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

Section 1822 Vending Machines; Nutritional Standards and Calorie Labeling Requirements. Airline shall not install or permit any vending machine on the Premises without the prior written consent of the Airport Director. Any permitted vending machine must comply with

the food and beverage nutritional standards and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9-1(c), as may be amended from time to time (the “**Nutritional Standards Requirements**”). Permittee agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section shall be deemed a material breach of this Agreement. Without limiting City’s other rights and remedies under this Agreement, City shall have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements. In addition, any Restaurant, including any employee eating establishment, located on the Premises is encouraged to ensure that at least 25% of Meals (as capitalized terms are defined in San Francisco Administrative Code section 4.9-1) offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code section 4.9-1(e), as may be amended.

Section 1823 All-Gender Toilet Facilities. If applicable, Airline 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.

(b) Section 1815 is hereby deleted in its entirety and substituted with an updated Section 1815 as follows:

Section 1815 Notification of Limitations on Contributions. By executing this Agreement , Airline acknowledges its obligations under section 1.126 of the City's Campaign and Governmental Conduct Code (the “**Conduct Code**”), which prohibits any person who leases, or seeks to lease, to or from any department of the City any land or building from any department of the City from making any campaign contribution to (a) a City elected official if the Agreement must be approved by that official, (b) a candidate for that City elective office, or (c) a committee controlled by that elected official or a candidate for that office, at any time from the submission of a proposal for the Agreement until the later of either the termination of negotiations for the Agreement or twelve (12) months after the date the City approves the Agreement . Airline acknowledges that the foregoing restriction applies only if this Agreement or a combination or series of permits or other contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of One Hundred Thousand Dollars (\$100,000) or more. Airline further acknowledges that: (i) the prohibition on contributions applies to each prospective party to the Agreement; any person on Airline’s board of directors, any of Airline ’s principal officers (including its chairperson, chief executive officer, chief financial officer, chief operating officer) and any person with an ownership interest of more than ten percent (10%) in Airline; any sub-airline listed in the Agreement; and any committee that is sponsored or controlled by Airline; and (ii) within thirty (30) days of the submission of a proposal for the Agreement , the City department with

whom Airline is contracting or permitting space is obligated to submit to the Ethics Commission the parties to the Airline and any sub-airline. Additionally, Airline certifies that it has informed any member of its board of directors and any of its principal officers, including its chairperson, chief executive officer, chief financial officer, chief operating officer, any person with an ownership interest of more than 10% in Airline, and any sub-airline listed herein of the limitation on contributions imposed by Section 1.126 of the Conduct Code by the time it submitted a proposal for this Agreement, and has provided the names of the persons required to be informed to the City department with whom it is leasing.

//////////

X:\TENANTS\AIRLINES\LEASES\2011 LEASE AND USE AGREEMENT - MODIFICATIONS\ALASKA MOD NO. 1 L10-0274- TO AS 7-25-19.DOCX

IN WITNESS WHEREOF, the parties hereto have executed this Modification in duplicate by their duly authorized officers the day and year first hereinabove written.

AIRLINE: ALASKA AIRLINES, INC.,
an Alaska corporation

By: 
Name: Shane Jones
Title: VP - Airport Real Estate

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

Ivar C. Satero
Airport Director

**AUTHORIZED BY AIRPORT
COMMISSION**

Resolution No. 19-0187
Adopted: August 27, 2019

Attest: _____
Secretary
Airport Commission

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

By _____
Deputy City Attorney

EXHIBIT D

DESCRIPTION OF DEMISED PREMISES AND SPACE DRAWINGS

The Demised Premises consists of the following, pursuant to Modification No. 1, dated

EXCLUSIVE USE SPACE, as more particularly described on Airport Drawings Numbers, dated April 4, 2019, specified on the List of Drawings attached hereto.

Type	Terminal	Category	Square Feet
Ticket Counters	IT	I	0
Other Category I	IT	I	0
Airline Ticket Office (ATO)	IT	II	0
VIP Clubs and Lounges	IT	II	0
Other Enclosed Space Departure Level and above	IT	II	0
Baggage Claim Lobbies	IT	II	0
Baggage Service Offices	IT	II	0
Curbside Check-in	IT	II	0
Other Enclosed Space, Arrivals Level and below	IT	III	1,938
Inbound/Outbound Baggage Handling Areas and Baggage Transfer Areas	IT	IV	0
Equipment Rooms	IT	IV	1,403
Unenclosed or Covered Area - Ramp Level	IT	V	430

Type	Terminal	Category	Square Feet
Ticket Counters, including kiosks	T2	I	2,080
Other Category I	T2	I	0
Airline Ticket Office (ATO)	T2	II	978
VIP Clubs and Lounges	T2	II	0
Other Enclosed Space Departure Level and above	T2	II	0
Baggage Claim Lobbies	T2	II	0
Baggage Service Offices	T2	II	797
Curbside Check-in	T2	II	0
Other Enclosed Space, Arrivals Level and below	T2	III	0
Inbound/Outbound Baggage Handling Areas and Baggage Transfer Areas	T2	IV	14,297
Equipment Rooms	T2	IV	0
Unenclosed or Covered Area - Ramp Level	T2	V	1,200

JOINT USE SPACE, as more particularly described on Airport Drawings Numbers specified on the List of Drawings attached hereto.

Type	Terminal	Category* (J/U type)	Square Feet
Ticket Counter	IT	I (e)	0
Holdroom	IT	I (e)	0
Other Common Use, Level 1 & 3+	IT	II (d)	0
Baggage Claim/FIS	IT	II (d)	205,711
Domestic Baggage Claim	IT	II (t)	0
Other Enclosed Common Use, Level 2 and below	IT	III (t)	0
Outbound Baggage Makeup	IT	IV (d)	0
Inbound Baggage Makeup	IT	IV (e)	0
Other Unenclosed Space	IT	V (t)	0

Type	Terminal	Category* (J/U type)	Square Feet
Ticket Counter	T2	I (e)	0
Holdroom	T2	I (e)	0
Other Common Use, Level 1 & 3+	T2	II (d)	0
Baggage Claim/FIS	T2	II (d)	0
Domestic Baggage Claim	T2	II (t)	13,006
Other Enclosed Common Use, Level 2 and below	T2	III (t)	0
Outbound Baggage Makeup	T2	IV (d)	310
Inbound Baggage Makeup	T2	IV (e)	78,647
Other Unenclosed Space	T2	V (t)	0

* The Category references are utilized in the Joint Use Formulas, as follows: (e): enplaned / (d): deplaned / (t): total.

PREFERENTIAL USE GATES, as more particularly described on Airport Drawing Numbers specified on the List of Drawings attached hereto.

The Gates are allocated to Airline on a Preferential Use basis as of the Effective Date, subject to annual reallocation as provided in Article 3.

LIST OF DRAWINGS
INTERNATIONAL TERMINAL

<u>EXCLUSIVE USE SPACE</u>		<u>Drawing No.</u>	<u>Dated</u>
CAT III, Room A.1.196C	264 square feet	ASBAA1	April 4, 2019
CAT III, Room A.1.190C	205 square feet	ASBAA1	April 4, 2019
CAT III, Room A.1.195	323 square feet	ASBAA1	April 4, 2019
CAT III, Room A.1.199	594 square feet	ASBAA1	April 4, 2019
CAT III, Room A.1.203	552 square feet	ASBAA1	April 4, 2019
CAT IV, Room A.1.188	403 square feet	ASBAA1	April 4, 2019
CAT IV, Room A.1.010	1,000 square feet	ASBAA1A	April 4, 2019
CAT V, Room A.1.188A	430 square feet	ASBAA1	April 4, 2019
<u>JOINT USE SPACE</u>		<u>Drawing No.</u>	<u>Dated</u>
Cat II, Room 1.2.042/071205,711 square feet ITB, 2nd Floor		IT2JT	April 4, 2019

LIST OF DRAWINGS

TERMINAL 2

EXCLUSIVE USE SPACE		Drawing No.	Dated
CAT I, Room T2.2.126	977 square feet	T22ALASKAR	April 4, 2019
CAT I, Room T2.2.128	446 square feet	T22ALASKAR	April 4, 2019
CAT I, Room T.2.126A	538 square feet	T22ALASKAR	April 4, 2019
CAT I, Room T.2.126B	113 square feet	T22ALASKAR	April 4, 2019
CAT II, Room T2.2.140	204 square feet	T22ALASKAR	April 4, 2019
CAT II, Room T2.2.132-134	774 square feet	T22ALASKAR	April 4, 2019
CAT II, Room T2.1.144	612 square feet	T21ALASKA	April 4, 2019
CAT II, Room T2.1.144A	185 square feet	T21ALASKA	April 4, 2019
CAT III, Room D1.432-4666	5,584 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D1.370	135 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D.1.349G	302 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D.1.398F	564 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D.1.468	610 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D.1.364-3661	8,860 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D.1.398A-D1	2,258 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D.1.310	409 square feet	T2D1ALASKA	April 4, 2019
CAT III, Room D.1.312	2,575 square feet	T2D1ALASKA	April 4, 2019
CAT V, Room D1.470A/B/C	720 square feet	T2D1ALASKA	April 4, 2019
CAT V, Room D1.310X	480 square feet	T2D1ALASKA	April 4, 2019
JOINT USE SPACE			
CAT II, Room T2.1.CO3	6,218 square feet	T21ALASKA	April 4, 2019
CAT II, Room T2.1.CO4	6,397 square feet	T21ALASKA	April 4, 2019
CAT II, Room T2.2.124JT	212 square feet	T22ALASKAR	April 4, 2019
CAT II, Room T2.2.122JT	179 square feet	T22ALASKAR	April 4, 2019
CAT IV, Room T2.2.146JT	310 square feet	T22ALASKAR	April 4, 2019
CAT IV, Room T2.1.046	5,639 square feet	T21JT	April 4, 2019
CAT IV, Room T2.1.047	5,441 square feet	T21JT	April 4, 2019
CAT IV, Room D.1.200	67,567 square feet	T21JT	April 4, 2019