

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 15-0049

APPROVAL OF LEASE NO. DTFAWN-15-L-00093 WITH THE U.S. GOVERNMENT FOR OCCUPANCY OF THE REPLACEMENT AIR TRAFFIC CONTROL TOWER AND ACCOMPANYING OFFICES BY THE FEDERAL AVIATION ADMINISTRATION, AND DIRECTING THE COMMISSION SECRETARY TO FORWARD THE LEASE TO THE BOARD OF SUPERVISORS FOR APPROVAL

WHEREAS, the Federal Aviation Administration (the "FAA"), an agency of the United States government, provides essential services to the San Francisco International Airport (the "Airport"), including operation of the air traffic control tower ("ATCT") and the installation, operation and maintenance of air navigational instruments and aids on the airfield necessary to ensure air safety; and

WHEREAS, the FAA has operated the current ATCT at Terminal 2 since 1984, pursuant to Federal Lease DOT-FA76WE-3702-A, which expired on September 30, 2013 and, thereafter, converted to hold over status; and

WHEREAS, the current ATCT has seismic, structural deficiencies and, therefore, on October 10, 2010, the Airport and the FAA entered into an Other Transaction Agreement ("OTA") pursuant to Resolution No. 10-0267, which defined the responsibilities for the development and funding of a replacement ATCT and FAA offices (the "Integrated Facilities") located adjacent to Terminal 2; and

WHEREAS, the FAA wishes to enter into a new lease for the Integrated Facilities located on Levels 1-12 of the replacement ATCT, including an agreement for the operation of the ATCT; and

WHEREAS, Airport and FAA staff have negotiated Lease No. DTFAWN-15-L-00093 for approximately 41,960 square feet of operational and administrative space in the Integrated Facilities (the "Lease"), with a term of twenty (20) years and a rent of \$1.00 per year, in consideration for the FAA's funding of the Integrated Facilities, in the amount of approximately \$77 million, in accordance with the OTA; now therefore, be it

RESOLVED, that the Airport Commission hereby approves Lease No. DTFAWN-15-L-00093 with the U.S. Government for approximately 41,960 square feet of operational and administrative space in the replacement air traffic control tower with a term of twenty (20) years and an annual rental of \$1.00, on the terms and conditions set forth in the Director's Memorandum; and, be it further

RESOLVED, that the Airport Commission hereby directs the Commission Secretary to forward the Lease to the Board of Supervisors for approval.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

FEB 17 2015

at its meeting of _____


Secretary



MEMORANDUM

February 17, 2015

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

FROM: Airport Director

SUBJECT: Approval of a Lease with the U.S. Government

DIRECTOR'S RECOMMENDATION: APPROVE LEASE NO. DTFAWN-15-L-00093 WITH THE U.S. GOVERNMENT FOR OCCUPANCY OF THE REPLACEMENT AIR TRAFFIC CONTROL TOWER AND ACCOMPANYING OFFICES BY THE FEDERAL AVIATION ADMINISTRATION, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE LEASE TO THE BOARD OF SUPERVISORS FOR APPROVAL.

Executive Summary

Pursuant to the proposed lease between the San Francisco International Airport (the "Airport") and the U.S. Government, the Federal Aviation Administration (the "FAA") wishes to continue to operate the air traffic control tower at the Airport from the newly constructed Air Traffic Control Tower (the "ATCT") and FAA offices (collectively, the "Integrated Facilities") located adjacent to Terminal 2. On or about April 28, 2015, the Airport will give possession of the Integrated Facilities to the FAA, pursuant to a proposed Federal Lease No. DTFAWN-15-L-00093 (the "Lease"), for commencement of a fit out period wherein the FAA will install its proprietary equipment and technology systems. The FAA will occupy approximately 41,960 square feet of operations and administrative space for a term of twenty (20) years and, in consideration for FAA funding of the Integrated Facilities, will pay a nominal rent of \$1.00 per year, with the FAA to reimburse the Airport for utility expenses.

Background

The FAA, an agency of the United States government, provides essential services to the Airport, including operation of the air traffic control tower, and the installation, operation and maintenance of air navigational instruments and aids on the airfield necessary to ensure air safety. The FAA has managed air traffic control operations from the existing Terminal 2 location since 1984, pursuant to Federal Lease DOT-FA76WE-2703-A, which lease is comprised of the facility lease and an operational agreement. The lease expired on September 30, 2013 and the FAA has continued to operate the ATCT, adhering to all the terms and conditions of the lease, on a hold over basis.

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. GUGGENHOME PETER A. STERN JOHN L. MARTIN AIRPORT DIRECTOR

The existing ATCT has significant seismic, structural deficiencies, and requires an upgrade, which was determined to be impracticable and cost prohibitive. Replacement of the tower was deemed necessary, and consequently, on October 10, 2010, pursuant to Resolution No. 10-0267, the Airport and the FAA entered into an Other Transaction Agreement ("OTA"), which defined the roles and responsibilities for the development of the replacement ATCT and FAA offices, including funding obligations. In consideration for the FAA funding of the Integrated Facilities, in the amount of approximately \$77 million, the OTA provided for an annual rent of \$1.00 and Airport maintenance of the Integrated Facilities. Ownership of the ATCT will vest in the Airport.

Upon completion of the Integrated Facilities, which is projected for April 28, 2015, the FAA will take possession of the Integrated Facilities to engineer, install and test standard FAA ATCT technology and systems, at no cost to the Airport, which is expected to take approximately eighteen (18) months.

Proposal

Airport staff has negotiated a Lease to accommodate the FAA's operational needs relating to the replacement ATCT under the following business terms:

1. **Lease Components.** A Facility Lease for the Integrated Facilities and an Operation Agreement for the ATCT operations.
2. **Approved Use.** Operation of the ATCT and ancillary functions.
3. **Premises.** Approximately 41,960 square feet of operational and administrative space situated on Levels 1-12 of the ATCT.
4. **Term.** Twenty (20) years.
5. **Cancellation.** The Government may terminate the Lease, in whole or in part, with ninety (90) days' written notice.
6. **Commencement Date.** On or about April 28, 2015.
7. **Annual Rent.** \$1.00 per year paid in arrears.
8. **Utilities Expenses.** The FAA shall reimburse the Airport for electricity and water/sewer services, at an estimated cost of \$201,645 per year, to be paid monthly in arrears. The Utilities Expenses shall be reconciled annually to determine the actual cost. If the actual cost exceeds, or falls below, \$150.00 of the projected cost for any given year, the FAA shall pay, or be repaid, for the variance over or under the \$150.00. The Utilities Expenses will then be reset for the ensuing year to be equal to the actual costs incurred during the prior year.
9. **Parking.** One hundred twelve (112) employee parking spaces in the Domestic Garage, Level 4.
10. **Maintenance Obligations.**
 - a) The Airport will maintain the Integrated Facilities at no cost to the FAA.
 - b) The FAA will maintain, refurbish and replace all standard FAA technical equipment and systems at no cost to the Airport.

As the FAA is a Federal agency, staff has requested exemptions from Chapters 12B and 12C (EBO) of the San Francisco Administrative Code by the Contract Monitoring Division, and Sections 12Q and 12P (HCAO and MCO, respectively) of the San Francisco Administrative Code by the Office of Labor Standards Enforcement.

Recommendation

I recommend adoption of the accompanying Resolution that approves Lease No. DTFAWN-15-L-00093 with the U. S. Government for the replacement air traffic control tower to be occupied by the Federal Aviation Administration, and directs the Commission Secretary to forward the Lease to the Board of Supervisors for approval.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachment