

AIRPORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 18-0306

**APPROVAL OF MODIFICATION NO. 3 TO AMERICAN AIRLINES' SUPERBAY HANGAR LEASE L13-0071 TO EXTEND THE TERM, INCREASE THE RENT, AND RECAPTURE CERTAIN LAND AT PLOT 40.**

- WHEREAS, the San Francisco International Airport (the "Airport") and American Airlines, Inc. ("American") are parties to Lease L13-0071, pursuant to Airport Commission ("Commission") Resolution No. 13-0071, dated April 2, 2013, and Board of Supervisors Resolution No. 370-13, dated November 1, 2013 (the "Lease"); and
- WHEREAS, pursuant to the Lease as modified by Modification No. 2, approved by Commission Resolution No. 17-0011, and Board of Supervisors' Resolution No. 39-18, American occupies approximately 127,900 square feet of first floor hangar space, approximately 38,900 square feet of upper floor hangar space, approximately 11,500 square feet of ground service equipment maintenance shop space, approximately 17.4 acres of land for aircraft parking, and approximately 4.99 acres of land for employee parking (the "Premises"); and
- WHEREAS, the Lease has a current Annual Rent of \$4,759,991.75 per year and a Term of three years with two (2) one-year extension options, the second of which expires on October 31, 2018; and
- WHEREAS, American wishes to continue occupancy of the Premises and is seeking an extension of the Lease Term; and
- WHEREAS, in furtherance of the Airport's SuperBay Fire Suppression System Replacement Project, the Airport wishes to recapture approximately 0.23 acres and 0.17 acres of land in American's employee parking lot and aircraft parking area, respectively, effective November 1, 2018, and American is amenable to such recapture; and
- WHEREAS, the Airport and American have negotiated the terms and conditions of the proposed modification to the Lease ("Modification No. 3"), to be effective on November 1, 2018 and which: 1) extends the Term of the Lease by four years and eight months, from November 1, 2018 to June 30, 2023, 2) reduces certain portions of the Premises, including approximately 0.23 acres of land used for employee parking, from 4.99 acres to 4.76 acres, and approximately 0.17 acres of land used for aircraft parking, from 17.4 acres to 17.23 acres of land, and 3) increases the Annual Rent to \$6,076,338.00, all as more fully set forth in the Director's Memorandum; now, therefore, be it
- RESOLVED, that the Commission hereby approves Modification No. 3 to the Lease, to be effective November 1, 2018, retroactively if necessary, and which: 1) extends the Term of the Lease by four years and eight months, from November 1, 2018 to June 30, 2023, 2) reduces

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certain portions of the Premises, including approximately 0.23 acres of land used for employee parking, from 4.99 acres to 4.76 acres, and approximately 0.17 acres of land used for aircraft parking, from 17.4 acres to 17.23 acres of land, and 3) increases the Annual Rent to \$6,076,338.00; and, be it further

RESOLVED, that the Commission hereby directs the Commission Secretary to forward Modification No. 3 to the Board of Supervisors for approval pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

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*I hereby certify that the foregoing resolution was adopted by the Airport Commission*  
*at its meeting of* SEP 18 2018

  
Secretary



San Francisco International Airport

**MEMORANDUM**

September 18, 2018

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

FROM: Airport Director

SUBJECT: Approval of Modification No. 3 to American Airlines' SuperBay Hangar Lease L13-0071 at Plot 40 to Modify the Term, Annual Rent and the Demised Premises

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 3 TO AMERICAN AIRLINES' SUPERBAY HANGAR LEASE L13-0071 TO EXTEND THE TERM, INCREASE THE RENT, AND RECAPTURE CERTAIN LAND AT PLOT 40.

**Executive Summary**

American Airlines, Inc.'s ("American") SuperBay Hangar Lease L13-0071 (the "Lease") will expire on October 31, 2018. American wishes to continue occupancy pursuant to Modification No. 3 to the Lease (the "Modification"). The proposed terms of such Modification will: 1) extend the Term by four years and eight months, 2) increase the Annual Rent to \$6,076,338.00, and 3) reduce the Premises by the recapture of approximately 0.4 acres of land at Plot 40 to accommodate the Airport's SuperBay Hangar Fire Suppression System Replacement Project (the "Project").

**Background**

The City and County of San Francisco owns Airport real property at 1060 North Access Road, San Francisco, California, on Plot 40 (the "SuperBay"). The Airport and American are parties to the Lease authorized by Airport Commission Resolution No. 13-0071, dated April 2, 2013, and Board of Supervisors Resolution No. 370-13, dated November 1, 2013, for a portion of the SuperBay, which American uses for aircraft maintenance, aircraft parking, and employee parking.

Pursuant to Modification No. 2 to the Lease, approved by Commission Resolution No. 17-0011, and Board of Supervisors Resolution No. 39-18, American occupies the southeastern half of the SuperBay and appurtenant land at Plot 40 (the "Premises") comprised of approximately:

- 127,900 square feet of first floor hangar space;
- 38,900 square feet of upper floor hangar space;

THIS PRINT COVERS CALENDAR ITEM NO. 9

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR	LARRY MAZZOLA PRESIDENT	LINDA S. CRAYTON VICE PRESIDENT	ELEANOR JOHNS	RICHARD J. GUGGENHIME	PETER A. STERN	IVAR C. SATERO AIRPORT DIRECTOR
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- 11,500 square feet of general service equipment maintenance shop space;
- 17.4 acres of appurtenant land for aircraft parking and movement; and
- 4.99 acres of appurtenant land for employee vehicle parking.

American also utilizes an aircraft and equipment wash rack area situated on approximately 1.5 acres of land on a non-exclusive basis.

The Lease has a Term of three years, with two (2) one-year options to extend the Term. American has exercised the first and second options, and the Option Term will expire on October 31, 2018. The current Annual Rent is \$4,759,991.75 per year.

American wishes to continue occupancy of the SuperBay pursuant to the proposed Modification. In parallel, the Airport wishes to reduce certain portions of the Premises, specifically: 1) the recapture of approximately 0.23 acres of land used for employee parking, from 4.99 acres to 4.76 acres, and 2) the recapture of approximately 0.17 acres of land used for aircraft parking, from 17.4 acres to 17.23 acres of land, for a total of 0.40 acres to accommodate the Project.

Staff has negotiated the terms of the proposed Modification, to be effective November 1, 2018, which will: 1) extend the Term by four years and eight months, 2) reduce the Premises by approximately 0.40 acres of land, and 3) increase the Annual Rent to \$6,076,338.00, which reflects a reappraisal of the Premises by the City's Real Estate Department, but adjusted for the rent related to the recaptured land referenced above.

### Proposal

Staff is seeking approval of the Modification to the Lease, which includes the following major business terms:

1. **Effective Date:** November 1, 2018, to be effective retroactively if necessary.
2. **Term Extension:** Four years and eight months commencing November 1, 2018 and expiring June 30, 2023, which will be co-terminous with the United Airlines' SuperBay Hangar Lease L04-0058.
3. **Premises:** The modified Premises shall be comprised of approximately:
  - 127,900 square feet of first floor hangar space;
  - 38,900 square feet of upper floor hangar space;
  - 11,500 square feet of general service equipment maintenance shop space;
  - 17.23 acres of appurtenant land for aircraft parking and movement; and
  - 4.76 acres of appurtenant land for employee vehicle parking.

**Non-Exclusive Space:** Use of an aircraft and equipment wash rack area situated on approximately 1.5 acres of land.

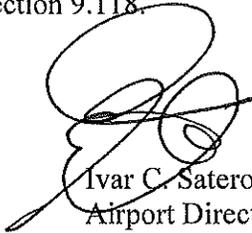
4. **Annual Rent:** Six Million Seventy-Six Thousand Three Hundred Thirty-Eight Dollars (\$6,076,338.00) representing an increase of approximately 27.7%.

5. **Rent Adjustments:** Rent will be adjusted annually by increases in the Consumer Price Index.

All other terms and conditions of the Lease will remain in full force and effect.

**Recommendation**

I recommend the Commission adopt the attached resolution approving Modification No. 3 to SuperBay Hangar Lease L13-0071 with American Airlines, to be effective November 1, 2018, retroactively if necessary, and which: 1) extends the Term by four years and eight months, from November 1, 2018 to June 30, 2023, 2) modifies the Premises at Plot 40 by reducing the employee parking lot by approximately 0.23 acres to 4.76 acres of land and reducing the aircraft parking area by approximately 0.17 acres to 17.23 acres, and 3) increases the Annual Rent to \$6,076,388.00, effective November 1, 2018. I further recommend directing the Commission Secretary to forward Modification No. 3 to the Board of Supervisors for approval in accordance with City Charter Section 9.118.



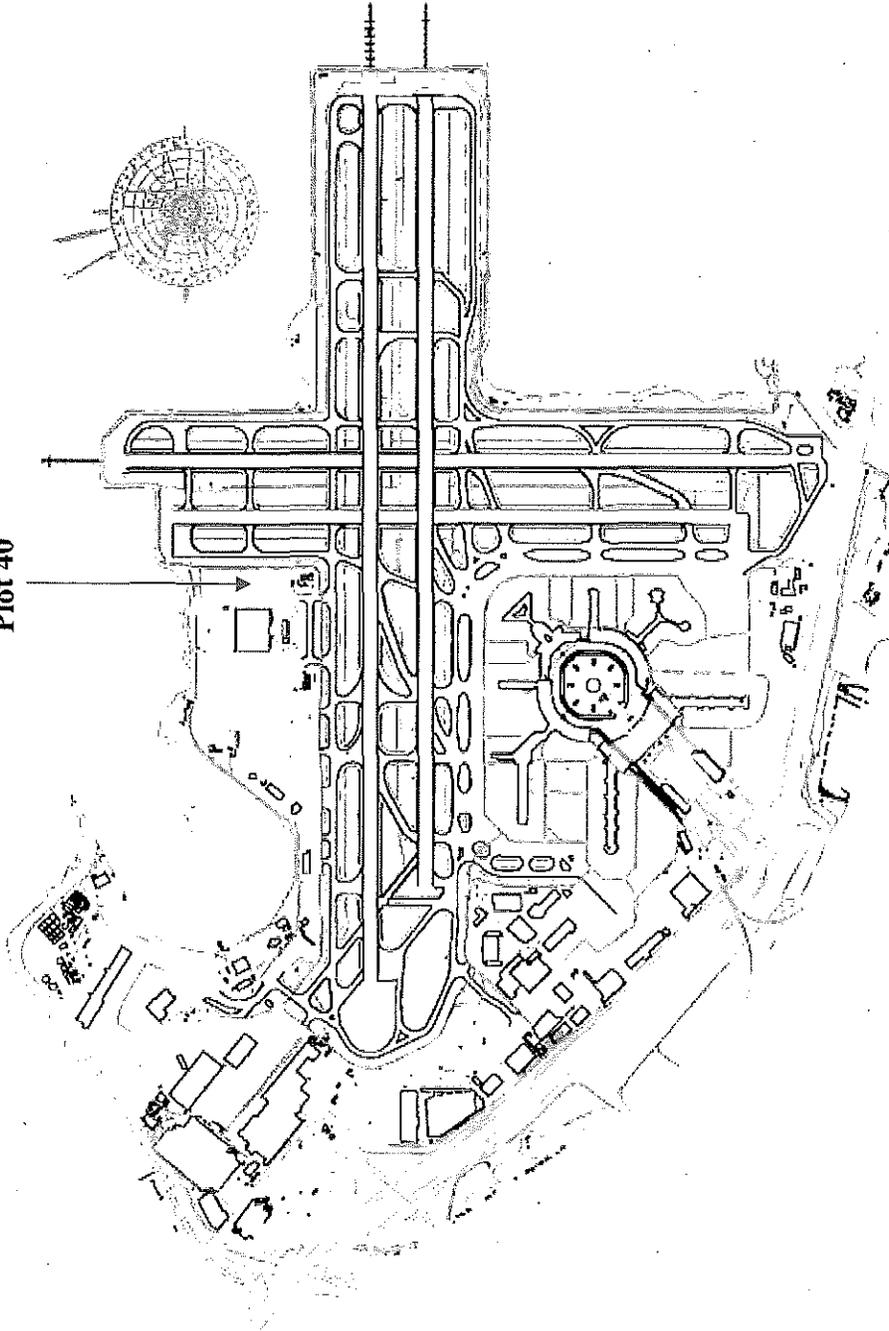
Ivar C. Satero  
Airport Director

Prepared by: Leo Fermin  
Chief Business and Finance Officer

Attachments

Attachment 1 - Premises

Plot 40



1000 0 2000 3000  
GRAPHICAL SCALE (FEET)  
Prepared by: Facilities  
Ernie Eavis - Deputy Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT  
CITY & AIRPORT COMMISSION

March 2007

