



San Francisco International Airport
MEMORANDUM
March 18, 2014

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: Lease Agreement between Federal Express Corporation and the San Francisco International Airport for a Portion of Airport Building 900 on Plot 50

DIRECTOR'S RECOMMENDATION: APPROVE THE LEASE AGREEMENT BETWEEN FEDERAL EXPRESS CORPORATION AND THE SAN FRANCISCO INTERNATIONAL AIRPORT FOR A PORTION OF AIRPORT BUILDING 900 ON PLOT 50.

Executive Summary

Federal Express Corporation ("Federal Express") wishes to enter into a renewal lease agreement for space at Airport Building 900 on Plot 50 for its integrated cargo operation (the "Renewal Lease"). Under the Renewal Lease, the premises shall comprise of approximately 58,676 square feet of warehouse and office space in Airport Building 900 and approximately 0.151 acres (6,580 square feet) of adjacent ramp space on Plot 50 (collectively, the "Premises"). The Renewal Lease shall have a five-year term with one (1) option to extend the term by another five (5) years at Federal Express' discretion.

Background

Federal Express leases approximately 133,846 square feet of warehouse and office space for its exclusive use at Airport Building 900, under Lease Agreement No. L09-0280 ("Lease No. L09-0280"), pursuant to Airport Commission Resolution No. 09-0280 and Board of Supervisors Resolution No. 101-10, adopted December 15, 2009 and March 23, 2010, respectively. Lease No. L09-0280 has a term of three years, commencing on June 1, 2011 and terminating on May 31, 2014.

Federal Express wishes to occupy a smaller area in Airport Building 900 under a Renewal Lease, which would comprise of 58,676 square feet of warehouse and office space ("Parcel A") as well as approximately 0.151 acres (6,580 square feet) of adjacent ramp space on Plot 50 ("Parcel B") for Federal Express' exclusive use. This represents a reduction of approximately 68,590 square feet.

THIS PRINT COVERS CALENDAR ITEM NO. 11

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

Proposal

Staff and Federal Express have negotiated the terms of the Renewal Lease, as summarized below:

- 1) **Term:** Five (5) years.
- 2) **Option to Extend:** One (1) five-year option exercisable at Federal Express's discretion.
- 3) **Commencement Date:** The first day of the month following full approval by City but no earlier than July 1, 2014.
- 4) **Premises:**
 - a) Exclusive Areas.
 - Parcel A: Approximately 58,676 square feet of warehouse and office space in Airport Building 900;
 - Parcel B: Approximately 0.151 acres (6,580 square feet) of adjacent ramp space on Plot 50.
 - b) Non-exclusive Areas.
 - ULD/GSE Rolling Stock Area;
 - Vehicle Parking.
- 5) **Annual Rent:**
 - a) Parcel A: \$1,349,548 based on \$23.00 per square foot per year, as determined by the Airport's Rates and Charges.
 - b) Parcel B: \$14,043 based on \$93,000 per acre per year adjusted annually in an amount equal to the increase in the Consumer Price Index.

Together, these amounts shall comprise the Annual Rent, which equals \$1,363,591 in fiscal year 2014/15.
- 6) **Approved Use:** Integrated air cargo related business including receiving, delivery, dispatching, processing, handling, and storing air cargo and mail.
- 7) **Services and Utilities:** At Federal Express' sole expense.
- 8) **Maintenance:** The Airport shall maintain the base building infrastructure and building systems to a point of connection. Federal Express shall maintain all Federal Express improvements and other systems or equipment located within the Premises.

Federal Express shall be fully compliant with all City Regulations, including the City's Equal Benefits Ordinance, Minimum Compensation, and the Health Care Accountability Ordinance.

Lease No. L09-0280 shall enter hold over status, under the current terms and conditions, until the later of the date the Renewal Lease is approved by City or July 1, 2014.

Recommendation

I recommend adoption of the attached Resolution approving the lease agreement between Federal Express Corporation and the San Francisco International Airport, for approximately 58,676 square feet of warehouse and office space in Airport Building 900, and approximately 0.151 acres (6,580 square feet) of adjacent ramp space on Plot 50, and directing the Commission Secretary to forward the Lease Agreement to the Board of Supervisors for approval, in accordance with City Charter Section 9.118.



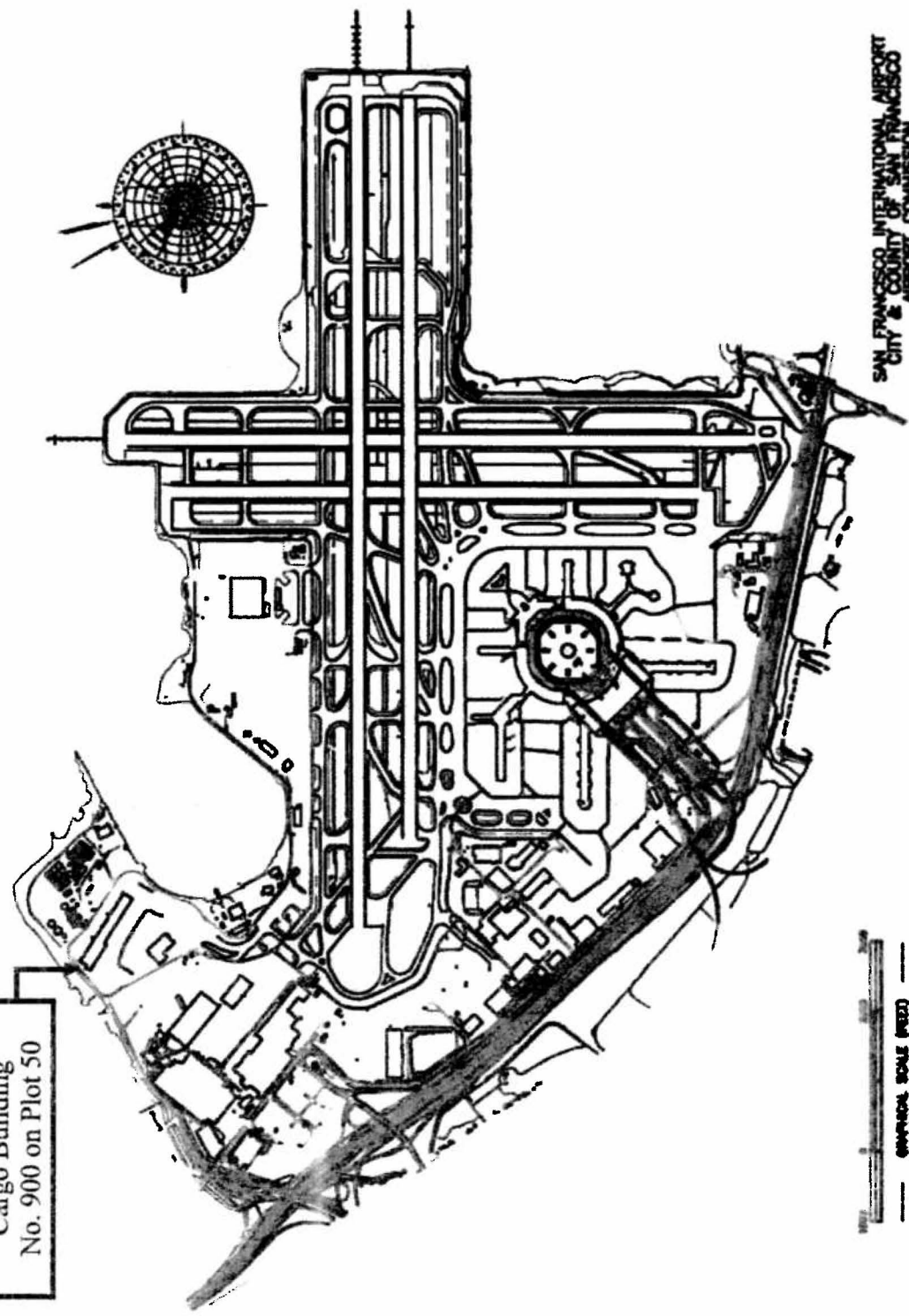
John E. Martin
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments

Exhibit A
PREMISES

Cargo Building
No. 900 on Plot 50



GRAPHICAL SCALE (FEET)
Prepared by: Facilities
Erica Smith - Deputy Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT
CITY & COUNTY OF SAN FRANCISCO
AIRPORT COMMISSION
John L. Morris - Airport Director
March 2005

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 14 0054

APPROVAL OF THE LEASE AGREEMENT BETWEEN FEDERAL EXPRESS CORPORATION
AND THE SAN FRANCISCO INTERNATIONAL AIRPORT FOR A PORTION OF AIRPORT
BUILDING 900

WHEREAS, the Airport Commission Resolution No. 09-0280 and Board of Supervisors Resolution No. 101-10, adopted December 15, 2009 and March 23, 2010, respectively, approved Lease Agreement (“Lease No. L09-0280”) with Federal Express Corporation (“Federal Express”) for certain warehouse and office spaces in Airport Building 900 at San Francisco International Airport; and

WHEREAS, Lease No. L09-0280 has a term of three (3) years, which expires on May 31, 2014; and

WHEREAS, Federal Express wishes to enter into a new lease (the “Renewal Lease”) for approximately 58,676 square feet of warehouse and office space in Airport Building 900 (“Parcel A”) and approximately 0.151 acres (6,580 square feet) of adjacent ramp space on Plot 50 (“Parcel B”) for a term of five (5) years, with one option to extend the term for another five (5) years at Federal Express’ discretion; and

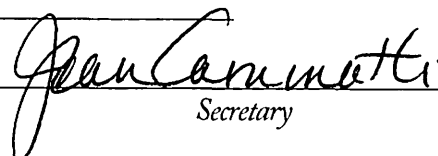
WHEREAS, the combined annual rent for the Renewal Lease shall be \$1,363,591 based on the \$23.00 per square foot per year for Parcel A, subject to the Airport’s Rates and Charges, and \$93,000 per acre per year for Parcel B, subject to annual Consumer Price Index adjustments; now, therefore, be it

RESOLVED, that this Commission approves the award of and authorizes the Airport Director to execute a five-year lease with Federal Express Corporation for approximately 58,676 square feet of warehouse and office space in Airport Building 900 and approximately 0.151 acres (6,580 square feet) of adjacent ramp space on Plot 50, on the terms and conditions set forth in the Director’s Memorandum; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of the Lease Agreement 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
at its meeting of* _____

MAR 18 2014


Secretary