

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
21-0206
RESOLUTION NO. _____

**APPROVAL OF MODIFICATION NO. 3 TO GROUND LEASE NO. 00-0464 FOR PLOT 6
WITH UNITED AIRLINES, INC. FOR A THREE-YEAR TERM EXTENSION**

- WHEREAS, on December 19, 2000, by Resolution No. 00-0464, the Airport Commission (Commission) approved Ground Lease No. 00-0464 (Lease) with United Airlines, Inc. (United) for a portion of Plot 6 at San Francisco International Airport (Premises), and on June 1, 2001, by Resolution No. 403-01, the Board of Supervisors (Board) approved the Lease; and
- WHEREAS, on June 7, 2011, by Resolution No. 11-0135, the Commission approved Modification No. 1 to the Lease extending the term to June 30, 2021, and adjusting the annual rent, and on June 10, 2012 by Resolution No. 1-12, the Board approved Modification No. 1; and
- WHEREAS, on December 3, 2019, by Resolution No. 19-0303, the Commission approved Modification No. 2 to the Lease modifying the Premises through an exchange of parcels between the City and United resulting in a net decrease of approximately 0.51 acres, and on August 7, 2020, by Resolution No. 353-20, the Board approved Modification No. 2; and
- WHEREAS, Staff and United have negotiated the terms of Modification No. 3 to the Lease to (i) extend the term for three years; (ii) provide for annual rent adjustments during the extension term; and (iii) update certain legal provisions required by applicable local, state, and federal laws; and
- WHEREAS, all other terms and conditions of the Lease remain unmodified and in full force and effect; now, therefore, be it
- RESOLVED, that this Commission hereby approves Modification No. 3 to the Lease, as summarized above and in the Director's memorandum accompanying this resolution; and, be it further
- RESOLVED, that this Commission directs the Commission Secretary to submit this Modification No. 3 to the Board of Supervisors for approval in accordance with 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 _____

= OCT 19 2021



Secretary



MEMORANDUM

October 19, 2021

TO: AIRPORT COMMISSION
 Hon. Larry Mazzola, President
 Hon. Eleanor Johns, Vice President
 Hon. Everett A. Hewlett, Jr.
 Hon. Jane Natoli
 Hon. Malcolm Yeung

21-0206
 OCT 19 2021

FROM: Airport Director

SUBJECT: Approval of Modification No. 3 to Ground Lease No. 00-0464 for Plot 6 with United Airlines, Inc. for a Three-Year Term Extension

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 3 TO LEASE NO. 00-0464 FOR PLOT 6 WITH UNITED AIRLINES, INC. TO EXTEND THE TERM FOR THREE YEARS, AND DIRECT THE COMMISSION SECRETARY TO SEEK APPROVAL OF THE LEASE MODIFICATION FROM THE BOARD OF SUPERVISORS UNDER SECTION 9.118 OF THE CHARTER OF THE CITY AND COUNTY OF SAN FRANCISCO.

Executive Summary

Under Ground Lease No. 00-0464 (Lease), United Airlines, Inc. (United) leases approximately 12.029 acres, known as Plot 6, at San Francisco International Airport (SFO or Airport) for its air cargo operations and employee parking. The Lease expired on June 30, 2021 and is currently on holdover status. We request that the Airport Commission (Commission) approve Modification No. 3 to the Lease, which (i) extends the term for three years; (ii) provides for rent adjustments during the extension term; and (iii) updates certain legal provisions required by applicable local, state, and federal laws (Modification No. 3). All other terms and conditions will remain unmodified. Modification No. 3 must receive the approval of the Board of Supervisors under Section 9.118 of the Charter of the City and County of San Francisco.

Background

On December 19, 2000, by Resolution No. 00-0464, the Commission approved the Lease for certain portions of Plot 6 comprised of approximately 16.04 acres together with existing City-owned buildings and structures (Premises) for a term of 12 years and one month, which expired on June 30, 2011. United uses the Premises for its air cargo operations and employee parking. United is not charged rent for a 0.025-acre portion of the Premises that hosts the Airport's electrical equipment. On June 1, 2001, by Resolution No. 403-01, the Board of Supervisors approved the Lease.

On June 7, 2011, by Resolution No. 11-0135, the Commission approved Modification No. 1 to the Lease extending the term by ten years, for a new termination date of June 30, 2021, and reducing the Premises to approximately 12.54 acres (Modification No. 1). On January 12, 2012, by Resolution No. 1-12, the Board of Supervisors approved Modification No. 1.

THIS PRINT COVERS CALENDAR ITEM NO. 7

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR	LARRY MAZZOLA PRESIDENT	ELEANOR JOHNS VICE PRESIDENT	EVERETT A. HEWLETT, JR.	JANE NATOLI	MALCOLM YEUNG	IVAR C. SATERO AIRPORT DIRECTOR
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On December 3, 2019, by Resolution No. 19-0303, the Commission approved Modification No. 2 to the Lease to accommodate the Plot 6 Reconfiguration Project by recapturing a portion of the Premises. In exchange, United was conveyed portions of adjacent land outside of the United Plot 6 Premises (Modification No. 2). These exchanges resulted in a reduction in the Premises of approximately 0.51 acres. On August 7, 2020, by Resolution No. 353-20, the Board of Supervisors approved Modification No. 2. The current Annual Rent is \$188,931.56 per acre, or \$2,267,934.45.

As part of the Airport Development Plan, the Airport plans to build a new Concourse H on Plot 6. Concourse H, which is subject to environmental review and approval, will be part of the International Terminal. Due to the COVID-19 pandemic, the build-out of Concourse H, as well as other Airport projects, is suspended or delayed due to an unprecedented decline in air travel. As such, Staff believes an extension of the Lease to be in the best interest of the Airport.

Proposal

Staff and United negotiated the terms of Modification No. 3 to the Lease, as follows:

1. **Extension Term:** One three-year extension commencing on the Effective Date, which occurs on the first day of the calendar month immediately following (i) the date the Commission and the Board of Supervisors have both approved Modification No. 3, and (ii) City and United have both executed Modification No. 3.
2. **Annual Rent Adjustment During Extension Term:** Each year during the extension term (commencing with the first year on the Effective Date), Rent will be adjusted to reflect any increase in Consumer Price Index.
3. **City and Other Governmental Provisions:** Modification No. 3 will update the Lease to comply with all applicable local, state, and federal laws.

All other terms and conditions of the Lease will remain unmodified and in full force and effect. The Lease is currently on a month-to-month holdover until the Effective Date of Modification No. 3.

Recommendation

I recommend this Commission adopt the attached resolution approving Modification No. 3 to Ground Lease No. 00-0464 with United Airlines, Inc., which (i) extends the term for three years; (ii) provides for annual rent adjustments during the extension term; and (iii) updates certain legal provisions required by applicable local, state, and federal laws. I further recommend this Commission direct the Commission Secretary to forward Modification No. 3 to the Board of Supervisors for approval in accordance with Section 9.118 of the Charter of the City and County of San Francisco.



Ivar C. Satero
Airport Director

Prepared by: Kevin Bumen
Chief Commercial Officer

Attachment 1

PREMISES

Ground Lease No. 00-0464 for Plot 6 at San Francisco International Airport

