



MEMORANDUM

January 17, 2017

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

FROM: Airport Director

SUBJECT: Rescission of Airport Commission Resolution No. 16-0241, which Approved Modification No. 1 to Lease L04-0058 with United Airlines, Inc. for the Exchange of Land at Plot 40, and Approval of Modification No. 2 for the Exchange of Land at Plot 40

DIRECTOR'S RECOMMENDATION: RESCIND AIRPORT COMMISSION RESOLUTION NO. 16-0241, WHICH APPROVED MODIFICATION NO. 1 TO UNITED AIRLINES, INC.'S SUPERBAY HANGAR LEASE L04-0058 AT PLOT 40, AND APPROVE MODIFICATION NO. 2 FOR THE EXCHANGE OF CERTAIN LAND ON PLOT 40 TO ACCOMMODATE THE DEMAND FOR THE AIRPORT'S CONSTRUCTION CONTRACTORS' PARKING.

Executive Summary

On September 6, 2016, the Airport Commission ("the **Commission**") adopted Resolution No. 16-0241 (the **Resolution**"), which approved Modification No. 1 to the SuperBay Hangar Lease L04-0058 with United Airlines, Inc. ("**United**"). Modification No. 1 would have modified the premises by an exchange of approximately 1.48 acres of land at Plot 40 for approximately 1.3 acres of an adjacent parcel of land. Due to presence of existing equipment, which would require relocation, the original exchange was deemed unfeasible. A revised exchange parcel, comprised of approximately 1.26 acres at Plot 40, has been identified and staff is now seeking Commission approval to rescind the Resolution and approve Modification No. 2 to accomplish the exchange of land to accommodate the demand for the Airport's construction contractor's parking.

Background

The City and County of San Francisco owns that certain real property at the Airport located at 1060 North Access Road, San Francisco, California on Plot 40 (the **SuperBay**). The Airport and United are parties to the Cure Stipulation Agreement authorized by Commission Resolution No. 04-0058, dated March 12, 2004, and Board of Supervisors Resolution No. 0063-04, dated April 13, 2004, wherein amongst other conditions, United assumed Lease L04-0058, dated

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June 1, 2004, for a portion of the SuperBay Hangar at Plot 40 (the "Lease"), which United uses for aircraft maintenance, aircraft parking, and employee parking.

Pursuant to the Lease, United occupies the northeastern half of the SuperBay and appurtenant land at Plot 40 (the "Premises") comprised of approximately:

- 127,900 square feet of first floor hangar space; and
- 17.14 acres for aircraft parking and movement; and
- 1.48 acres for employee vehicle parking.

United 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 nine years and one month, with one ten-year option to extend the term. The option was exercised and the option term will expire on June 30, 2023. The current rent is \$3,886,150.87 per year.

On September 6, 2016, the Commission approved the Modification to United's Lease which would have modified the premises by an exchange of approximately 1.48 acres of land at Plot 40 for approximately 1.3 acres of an adjacent parcel of land. The Commission also approved a related Modification No. 1 to American Airlines, Inc.'s ("American") SuperBay Lease L13-0071 for the recapture of approximately 1.69 acres of land currently used for American's employee parking, pursuant to Commission Resolution No. 16-0240. Due to the presence of high mast lighting in the American parking lot which required relocation, the original recapture parcel was deemed unfeasible. A revised recapture parcel in the American parking lot, comprised of approximately 1.19 acres, has been identified, which revision impacts the exchange parcel under the United Lease. Staff is now seeking approval to exchange the revised parcel under the United Lease pursuant to Modification No. 2.

Proposal

The Airport proposes a recapture of approximately 1.48 acres of land at Plot 40 currently used by United for its employee parking to accommodate future demand for construction contractors' parking related to the Airport Capital Improvement Plan. In exchange, the Airport will provide a parcel of land, also at Plot 40, comprised of approximately 1.26 acres, for a net reduction of approximately 0.22 acres. Rent will be reduced by \$25,918.29, from 3,886,150.87 to \$3,860,232.58, to reflect the reduction of the Premises.

United is amenable to the proposed exchange contingent upon the approval of a related modification to American's SuperBay Lease L13-0071, wherein the Airport will recapture from American approximately 1.19 acres of land used for employee parking.

Staff has negotiated and is seeking approval of Modification No. 2 to the Lease, which includes the following business terms:

1. **Effective Date:** The first day of the month following full City approval.

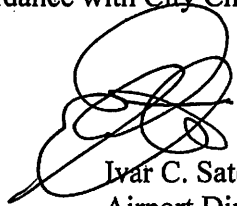
2. **Premises:** The modified Premises will be comprised of approximately:
 - 127,900 square feet of first floor hangar space;
 - 17.14 acres of appurtenant land for aircraft parking and movement; and
 - 1.26 acres of appurtenant land for employee parking.
3. **Non-exclusive Space:** Use of an aircraft and equipment wash rack area situated on approximately 1.5 acres of land.
4. **Annual Rent:** Three Million Eight Hundred Sixty Thousand Two Hundred Thirty-Two Dollars and Fifty-Eight Cents (\$3,860,232.58).

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

Besides United, the other tenant at Plot 40 is American Airlines. A related modification of American's SuperBay Lease L13-0071 is concurrently presented to this Commission for the recapture of approximately 1.19 acres of land at Plot 40. In utilizing the recaptured land from United and American to accommodate construction contractors' parking needs, the Airport will save an estimated \$1,039,090.00 annually, which otherwise would have been included in the cost of parking for the trades.

Recommendation

I recommend that this Commission adopt the attached resolution rescinding Airport Commission Resolution No. 16-0241, which approved Modification No. 1 to Lease L04-0058 with United Airlines, Inc.; and approving Modification No. 2 to the Lease which modifies the Premises by recapturing approximately 1.48 acres of land at Plot 40 used for employee parking, and exchanging it for approximately 1.26 acres of land, also at Plot 40, and which adjusts the annual rent to \$3,860,232.58 ("**Modification No. 2**"), effective the first day of the month following full City approval. I further recommend directing the Commission Secretary to forward Modification No. 2 to the Board of Supervisors for approval in accordance with City Charter Section 9.118.

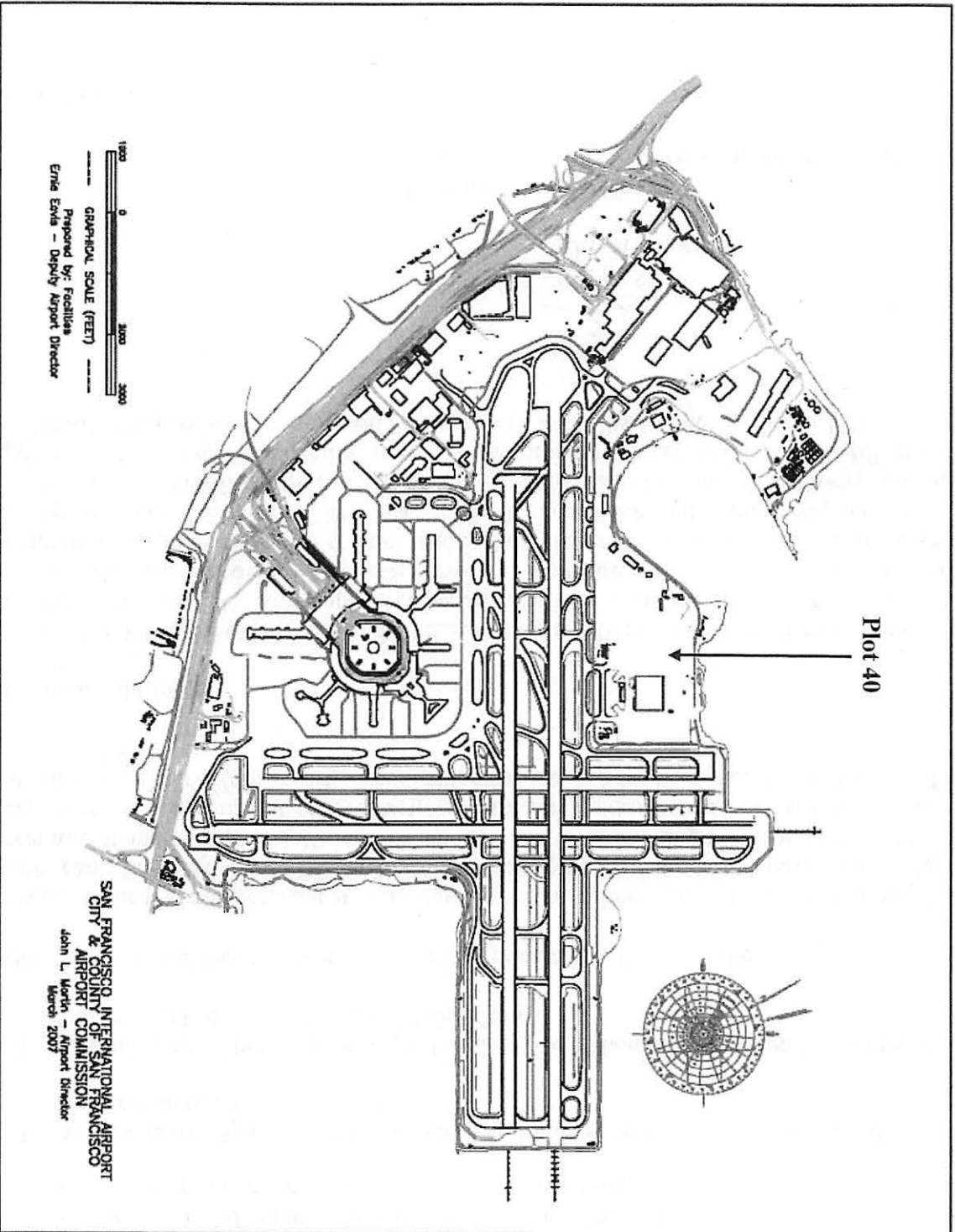


Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

Attachment 1 – Premises



AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0012

RESCISSION OF AIRPORT COMMISSION RESOLUTION NO. 16-0241, WHICH APPROVED MODIFICATION NO. 1 TO LEASE L04-0058 WITH UNITED AIRLINES, INC. FOR THE EXCHANGE OF LAND AT PLOT 40, AND APPROVAL OF MODIFICATION NO. 2 FOR THE EXCHANGE OF LAND AT PLOT 40

WHEREAS, the San Francisco International Airport (the "Airport") and United Airlines, Inc. ("United") are parties to the Cure Stipulation Agreement authorized by Airport Commission (the "Commission") Resolution No. 04-0058, dated March 12, 2004, and Board of Supervisors Resolution No. 0063-04, dated April 13, 2004, wherein United assumed Lease L04-0058, dated June 1, 2004, for a portion of the SuperBay Hangar at Plot 40 (the "Lease"); and

WHEREAS, pursuant to the Lease, United occupies approximately 127,900 square feet of first floor hangar space and approximately 18.62 acres of land, of which 17.14 acres is used for aircraft parking, and 1.48 acres is used for employee parking (the "Premises"); and

WHEREAS, the Lease has a current rent of \$3,886,150.87 per year and a term of approximately nine years and one month, with one ten-year option, which was exercised on March 15, 2013 extending the term of the Lease to June 30, 2023; and

WHEREAS, pursuant to Resolution No. 16-0241, the Commission previously approved Modification No. 1 to the Lease for the exchange of land at Plot 40, which due to a change in circumstances has been deemed unfeasible; and

WHEREAS, the Airport now wishes to recapture approximately 1.48 acres of United's employee parking lot and proposes to exchange it for approximately 1.26 acres also at Plot 40, in order to accommodate future demand for construction contractors' parking related to the Airport's Capital Improvement Plan, resulting in a reduction of \$25,918.29 in rent per year; and

WHEREAS, together with the relinquishment of approximately 1.19 acres at Plot 40, pursuant to Modification No. 2 of American Airlines' SuperBay Lease (L13-0071), the Airport will see a cost savings of \$1,039,090.00 in contractor parking costs; and

WHEREAS, the Airport and United have negotiated the terms and conditions of a rescission of Modification No. 1 and a subsequent modification to the Lease which: 1) recaptures that certain portion of the Premises used for employee parking comprised of approximately 1.48 acres, 2) provides, in exchange, parcel of land comprised of approximately 1.26 acres at Plot 40, and 3) adjusts the annual rent from 3,886,150.87 to \$3,860,232.58 to reflect the approximately 0.22 acre reduction in the Premises (the "Modification No. 2"), all as more fully set forth in the Director's

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0012

Memorandum, to be effective on the first day of the month following full City approval; now, therefore, be it,

RESOLVED, that the Commission hereby rescinds Resolution No. 16-0241 adopted on September 6, 2016, which approved Modification No. 1 to the Lease; and, be it further

RESOLVED, that the Commission hereby approves and authorizes the Airport Director to execute Modification No. 2 to the Lease; and, be it further

RESOLVED, that the Airport Commission hereby directs the Commission Secretary to forward the Modification No. 2 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 _____

≡ JAN 17 2017

Jan Cammatti
Secretary