

1 [Airport Lease Modification - Alaska Airlines, Inc. - Premises Expansion - Rent for the
2 Remainder of the Term - \$20,857,171]

3 **Resolution approving Modification No. 1 of the Alaska Airlines, Inc. 2011 Lease and**
4 **Use Agreement No. L10-0274, between Alaska Airlines, Inc. and the City and County of**
5 **San Francisco, acting by and through its Airport Commission, to incorporate terminal**
6 **space formerly occupied by Virgin America, Inc., in Terminal 2 into Alaska Airlines’**
7 **Lease Agreement with an estimated rent of \$20,857,171 for the remainder of the lease**
8 **term, to commence upon approval by the Board of Supervisors, and expiring on June**
9 **30, 2021.**

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11 WHEREAS, Pursuant to Commission Resolution No. 10-0274, dated August 17, 2010,
12 and Board of Supervisors Resolution No. 505-10, dated November 5, 2010, Alaska Airlines,
13 Inc. (“Alaska”) became a signatory to the 2011 Lease and Use Agreement No. L10-0274 (the
14 “Alaska Lease”) whereby Alaska entered into a lease agreement with the City for a term of ten
15 years for landing rights and the rental of certain Exclusive Use Space and Joint Use Space in
16 Terminal 1 at the San Francisco International Airport (the “Airport”); and

17 WHEREAS, Pursuant to Airport Commission Resolution No. 10-0098, dated March 16,
18 2010, and Board of Supervisors Resolution No. 208-10, dated May 11, 2010, Virgin America,
19 Inc. (“Virgin”) became a signatory to the 2011 Lease and Use Agreement No. L10-0098 (the
20 “Virgin Lease”) effective July 1, 2011, whereby Virgin commenced a lease agreement with the
21 City for a term of ten years with landing rights and the rental of certain Exclusive Use Space
22 and Joint Use Space located in Terminal 2 at the Airport; and

23 WHEREAS, Both lease agreements expire on June 30, 2021; and

24 WHEREAS, At the inception of the Alaska Lease, Alaska operated in Terminal 1, but in
25 2014, at the Airport’s request, Alaska relocated to the International Terminal to accommodate

1 the Airport's Terminal 1 Renovation Project and occupied approximately 3,771 square feet of
2 Exclusive Use Space and approximately 205,771 square feet of Joint Use Space; and

3 WHEREAS, On March 30, 2018, Alaska notified the Airport of its plan to acquire and
4 merge with Virgin (the "Merger"); and

5 WHEREAS, On January 11, 2018, the Federal Aviation Administration issued a single
6 operating certificate for Alaska and Virgin and, on April 26, 2018, Alaska and Virgin
7 consolidated their respective passenger check-in functions in Terminal 2 and ceased all flights
8 nationwide under the Virgin brand; and

9 WHEREAS, On July 20, 2018, Alaska and Virgin finalized the Merger, with Alaska
10 becoming the successor company by merger with Virgin; and

11 WHEREAS, Pursuant to five Space Change Summary Notices, Alaska currently
12 occupies terminal space comprised of approximately 6,656 square feet of Exclusive Use
13 Space and approximately 91,963 square feet of Joint Use Space in Terminal 2, and
14 approximately 3,771 square feet of Exclusive Use Space and 205,771 Joint Use Space in
15 the International Terminal; and

16 WHEREAS, Virgin occupies approximately 9,232 square feet of Exclusive Use Space
17 and approximately 91,963 square feet of Joint Use Space in Terminal 2 under the Virgin
18 Lease; and

19 WHEREAS, Virgin also occupies approximately 3,464 square feet of Exclusive Use
20 Space in Terminal 2 under Airline Terminal Space and Use Permit No. P4265 (the "Virgin
21 Permit"); and

22 WHEREAS, In connection with the Merger, Alaska is seeking approval of Modification
23 No. 1 to the Virgin Lease, which grants an early termination of the Virgin Lease in its entirety
24 (the "Virgin Modification"); and

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1 WHEREAS, Alaska is also seeking approval of Modification No. 1 to the Alaska Lease
2 wherein all terminal Exclusive Use Space occupied under the Virgin Lease and the Virgin
3 Permit, approximately 12,696 square feet, will be incorporated into the demised premises
4 under the Alaska Lease conditioned upon concurrent approval by the Board of Supervisors of
5 the Virgin Modification; and

6 WHEREAS, Upon approval of the Alaska Modification and the Virgin Modification, the
7 demised premises under the Alaska Lease will be comprised of approximately 19,352 square
8 feet of Exclusive Use Space in Terminal 2, approximately 3,771 square feet of Exclusive Use
9 Space in the International Terminal, approximately 91,963 square feet of Joint Use Space in
10 Terminal 2, and approximately 205,771 square feet of Joint Use Space in the International
11 Terminal; and

12 WHEREAS, A copy of Modification No. 1 to the Alaska Lease is on file with the Clerk of
13 the Board of Supervisors in File No. 191047, which is hereby declared to be a part of this
14 Resolution as is set forth fully herein; now, therefore, be it

15 RESOLVED, That this Board of Supervisors hereby approves Modification No. 1 to the
16 Alaska 2011 Lease and Use Agreement No. L10-0274 which modifies the demised premises
17 by addition of approximately 12,696 square feet of Exclusive Use Space in Terminal 2; and,
18 be it

19 FURTHER RESOLVED, That within 30 days of Modification No. 1 being fully executed
20 by all parties, the Airport Commission shall provide a copy of Modification No. 1 to the Alaska
21 2011 Lease and Use Agreement No. L10-0274 to the Clerk of the Board for inclusion into the
22 official file.

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