

AIRPORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 21-0205

**APPROVAL OF MODIFICATION NO. 1 TO GROUND LEASE NO. 96-0268 FOR PLOT 7X WITH UNITED AIRLINES, INC. FOR A THREE-YEAR TERM EXTENSION**

- WHEREAS, on October 18, 1996, by Resolution No. 96-0268, the Airport Commission (Commission) approved the Ground Lease for Plot 7X (Lease) with United Airlines, Inc. (United) for approximately 11.30 acres of land, commonly known as Plot 7X, for a period of 25 years; and
- WHEREAS, prior to the Lease receiving approval from the Board of Supervisors, the City and County of San Francisco (City) enacted the Non-Discrimination in City Contracts and Benefits Ordinance (the Ordinance); and
- WHEREAS, Addendum No. 1 was subsequently incorporated into the Lease, which provided United with a revised initial term of approximately two years from the commencement date of the Lease in order to provide United with the time to come into compliance with the Ordinance, and the right to extend the term for an additional 23 years; and
- WHEREAS, on February 21, 1997, by Resolution No. 131-97, the Board of Supervisors approved the Lease, inclusive of Addendum No. 1; and
- WHEREAS, United came into compliance with the Ordinance and exercised its right to extend the Lease through August 31, 2021, the current expiration date; and
- WHEREAS, Staff and United have negotiated the terms of Modification No. 1 to the Lease to (i) extend the term for three years; (ii) provide for 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 will remain unmodified and in full force and effect; now, therefore, be it
- RESOLVED, that this Commission hereby approves Modification No. 1 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. 1 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



San Francisco International Airport

**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

21-0205  
OCT 19 2021

FROM: Airport Director

SUBJECT: Approval of Modification No. 1 to Ground Lease No. 96-0268 for Plot 7X with United Airlines, Inc. for a Three-Year Term Extension

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 1 TO GROUND LEASE NO. 96-0268 FOR PLOT 7X 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. 96-0268 (Lease), United Airlines, Inc. (United) leases approximately 11.30 acres of land, known as Plot 7X (Premises), at San Francisco International Airport (SFO or Airport) for the operation of an inflight kitchen, repair of its ground service equipment, and parking for its employees working in these facilities. The Lease expired on August 31, 2021 and is currently on holdover status. We request that the Airport Commission (Commission) approve Modification No. 1 to the Lease, which will (i) extend the term for three years; (ii) provide for rent adjustments during the extension term; and (iii) update certain legal provisions required by applicable local, state, and federal laws (Modification No. 1). All other terms and conditions will remain unmodified. Modification No. 1 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 October 18, 1996, by Resolution No. 96-0268, the Commission approved the Lease for a term of 25 years. Before receiving the Board of Supervisors' approval, the City and County of San Francisco (City) enacted the Non-Discrimination in Contracts and Benefits Ordinance requiring compliance with Chapters 12B and 12C of the City's Administrative Code (the Ordinance). Through an addendum to the Lease, the base term was changed to an initial term of approximately two years from the commencement of the Lease (Addendum No. 1) to allow United time to come into compliance with the Ordinance. Addendum No. 1 also gave United the right to extend the term for approximately 23 years if it was deemed to be in compliance with the Ordinance, which it did. On February 21, 1997, by Resolution No. 131-97, the Board of Supervisors approved the Lease,

THIS PRINT COVERS CALENDAR ITEM NO. 6

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

inclusive of Addendum No. 1. The current Annual Rent is \$190,123.39 per acre of the Premises, or \$2,148,394.31.

With the Airport's consent, a portion of the Premises is subleased to Gate Gourmet, which supports the flight operations of United through the operation of a flight kitchen.

Under the Airport Development Plan, Plot 7X will be part of the expanded airfield to support Airport operations. This project is subject to all environmental reviews and approvals. Due to the COVID-19 pandemic, this planned expansion, 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

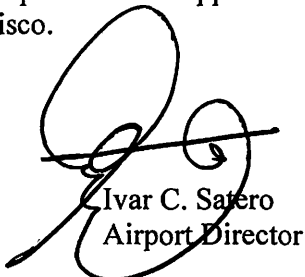
Staff and United negotiated the terms of Modification No. 1 to the Lease, as follows:

- (i) **Extension Term:** One three-year extension commencing on the Effective Date, occurring when (i) the Commission and the Board of Supervisors will have approved Modification No. 1, and (ii) both the City and United will have executed Modification No. 1.
- (ii) **Annual Rent Adjustments During Extension Term:** Each year during the extension term (commencing with the first year on the Effective Date), Base Rent is adjusted to reflect any increase in Consumer Price Index.
- (iii) **City and Other Governmental Provisions:** Modification No. 1 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. 1.

### Recommendation

I recommend this Commission adopt the attached resolution approving Modification No. 1 to Ground Lease No. 96-0268 with United Airlines, Inc., 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. I further recommend this Commission direct the Commission Secretary to forward Modification No. 1 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. Safero  
Airport Director

Prepared by: Kevin Bumen  
Chief Commercial Officer

Attachments

Attachment 1

PREMISES

Ground Lease No. 96-0268 for Plot 7X with United Airlines, Inc.

