

**MODIFICATION NUMBER 2 TO  
LEASE AGREEMENT FOR A PORTION OF PLOT 40 SUPERBAY HANGAR  
SAN FRANCISCO INTERNATIONAL AIRPORT**

**UNITED AIRLINES, INC.**

**Lease No. L04-0058**

THIS MODIFICATION NUMBER TWO TO LEASE (this "**Modification**"), dated \_\_\_\_\_, 2017, is entered into by and between the City and County of San Francisco, a municipal corporation, acting by and through its Airport Commission, as landlord ("**City**"), and United Airlines, Inc., a Delaware corporation, as tenant ("**Tenant**").

**RECITALS**

- A. City owns that certain real property at the San Francisco International Airport (the "**Airport**"), located at 1060 North Access Road, San Francisco, California, on Plot 40, and hereinafter referred to as the "**SuperBay Hangar**".
- B. City and Tenant are parties to Lease No. 04-0058, dated June 1, 2004, authorized by Airport Commission Resolution No. 04-0058 and Board of Supervisors Resolution No. 0063-04 (the "**Lease**") for a portion of the SuperBay Hangar, which is used for aircraft maintenance, aircraft parking, and employee parking.
- C. The premises under the Lease is comprised of approximately 127,900 square feet of hangar space on the 1<sup>st</sup> floor and 18.62 acres of land (of which 17.14 acres are used for aircraft parking and 1.48 acres are used for employee parking) and 1.5 acres of land for an equipment wash rack area (which 1.5 acres is used on a non-exclusive basis) (the "**Premises**"), all as more fully described on Exhibit A to the Lease, dated March 9, 2004.
- D. Pursuant to a Letter Agreement, dated August 31, 2016, City and Tenant agreed to an equal exchange of land used for employee parking at Plot 40 and the substitution of a revised Exhibit A, dated May 28, 2015, which was an administrative change to the Lease.
- E. On September 6, 2016, pursuant to Airport Commission Resolution No. 16-0241, City approved Modification No. One to the Lease wherein the Premises was reduced to accommodate an Airport project. Due to unforeseen circumstances, full City approval and execution of Modification No. One was never achieved. On January 17, 2017, Modification No. One was rescinded pursuant to Airport Commission No. 17-0012 and replaced with Modification No. 2 to the Lease.
- F. City and American Airlines, Inc. ("**American**") are parties to that certain Lease No. 13-0071, dated April 8, 2013, authorized by Airport Commission Resolution No. 13-0071 and Board

of Supervisors Resolution No. 370-03 (the "**American Lease**") for another portion of the SuperBay Hangar, also used for aircraft maintenance, aircraft parking and employee parking.

- G. The leased premises under the American Lease is comprised of approximately 127,900 square feet of hangar space on the 1<sup>st</sup> floor, 38,900 square feet of hangar space on the 2<sup>nd</sup> and 4<sup>th</sup> floors, 17.4 acres of land for aircraft parking, 11,500 square feet for general services equipment shop area, 6.18 acres of land for employee parking, and 1.5 acres of land for an equipment wash rack area (which 1.5 acres is used on a non-exclusive basis) (the "**American Premises**").
- H. As contemplated in a letter agreement (the "**2016 Letter Agreement**") by and between Tenant and City, dated August 31, 2016 and in accordance with the "**Reconfiguration Plan**" attached hereto as Attachment I (and also attached as Attachment A, dated August 23, 2016, as revised on December 12, 2016) to the 2016 Letter Agreement), City wishes to reconfigure the employee parking lots under Tenant's Lease and the American Lease in order to accommodate future demand for construction contractor parking related to the Airport's Capital Improvement Plan.
- I. As contemplated in the 2016 Letter Agreement, City has proposed a recapture of Tenant's entire employee parking lot, comprised of approximately 1.48 acres of land (the "**Recapture Parcel**") and, in exchange, will provide an adjacent parcel of land, comprised of approximately 1.26 acres for Tenant's employee parking (the "**Exchange Parcel**").
- J. In furtherance of the foregoing, Tenant and City now desire to modify the terms of the Lease to provide for the exchange of land to accommodate Tenant's employee parking, pursuant to this Modification.

**NOW THEREFORE**, in consideration of the foregoing and mutual covenants set forth herein, and other good and valuable consideration, receipt of which is hereby acknowledged, City and Tenant hereby agree as follows:

**1. Recitals; Effective Date; Defined Terms.**

- (a) The recitals set forth above are true and correct and are hereby incorporated in their entirety.
- (b) The effective date (the "**Effective Date**") of this Modification shall be the first day of the month following the final approval of this Modification by the San Francisco Board of Supervisors.
- (c) Capitalized terms not defined herein shall have the meanings given them in the Lease.

**2. Premises Exchange.** From and after the Effective Date, the Premises shall be modified by removing from the Premises the "Recapture Parcel" and adding to the Premises the

“Exchange Parcel”, as more fully described and depicted on Airport Drawing UAPLOT40, dated January 4, 2017, attached hereto as Exhibit A and incorporated herein.

From and after the Effective Date, Tenant releases, relinquishes and surrenders to City, all of Tenant’s right, title, and interest in and to the Recapture Parcel.

3. **Premises.** From and after the Effective Date, the term “Premises” under the Lease and in this Modification below shall mean the Premises as modified pursuant to this Modification as described on Exhibit A attached hereto, comprised of approximately 127,900 square feet of hangar space on the 1<sup>st</sup> floor of the SuperBay Hangar and 18.40 acres of land (of which 17.14 acres are used for aircraft parking and 1.26 acres are used for employee parking), and 1.5 acres of land for an equipment wash rack area (which 1.5 acres is used on a non-exclusive basis).
4. **Exhibit Exchange.** From and after the Effective Date, Exhibit A to the Lease, Airport Drawing UAPLOT40 dated May 28, 2015, shall be deleted in its entirety and substituted with Exhibit A attached hereto, Airport Drawing No. UAPLOT40, dated January 4, 2017.
5. **Recapture Parcel – Condition of Return.** City agrees to take possession of and accepts the Recapture Parcel in its “as is” condition and on a “with all faults” basis without any representations or warranties of any kind from Tenant.
6. **Exchange Parcel – Condition of Acceptance.** Except with respect to that certain improvement work performed by City under that Letter Agreement dated August 31, 2016, Tenant agrees to take possession of the Exchange Parcel in “as is” condition and on a “with all faults” basis without any representations or warranties of any kind from City.
7. **Rent.** The Annual Rent attributable to the land leased by Tenant for employee parking shall be deemed modified to account for the reduction in acreage of the Premises commencing on the Effective Date of this Modification. Such reduction in Annual Rent is estimated to be approximately \$21,209.21, based on the rental rate in effect for the period of July 1, 2016 through June 30, 2017.
8. **City and Other Governmental Provisions.** The following Sections 8.1 through 8.6 are added to the Lease:

8.1 Food Service Waste Reduction. If and to the extent applicable, Tenant agrees to comply fully with and be bound by all of the applicable provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. Accordingly, Tenant acknowledges that City contractors and lessees may not use Disposable Food Service Ware that contains Polystyrene Foam in City Facilities and while performing under a City contract or lease, and shall instead use suitable

Biodegradable/Compostable or Recyclable Disposable Food Service Ware. This provision is a material term of this Lease. By entering into this Lease, Tenant agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Tenant agrees that the sum of one hundred dollars (\$100.00) liquidated damages for the first breach, two hundred dollars (\$200.00) liquidated damages for the second breach in the same year, and five hundred dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Tenant's failure to comply with this provision.

8.2 Preservative-Treated Wood Containing Arsenic. Tenant may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Tenant may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Tenant from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

8.3 Labor Disputes. Tenant agrees to use commercially reasonable efforts to avoid disruption to City, other air carriers, Airport tenants, or members of the public arising from labor disputes involving Tenant, and in the event of a strike, picketing, demonstration or other labor difficulty involving Tenant, to use commercially reasonable efforts, including the utilization of available legal remedies, to minimize or eliminate any disruption to City, other air carriers, Airport tenants, or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

8.4 Local Hire. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 (the "**Local Hiring Requirements**"). All Alterations under this Lease are subject to the Local Hiring Requirements unless the cost for such work is (a) estimated to be less than \$750,000 per building permit or (b) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("**OEWD**") to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a "Covered Project"). Tenant shall include, and shall

require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its subtenants to cooperate, with City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor's or subcontractor's failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

8.5 All-Gender Toilet Facilities. If applicable, Tenant shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of the building where extensive renovations take place and toilet facilities are required or provided. An "all-gender toilet facility" means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and "extensive renovations" means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this Section.

8.6 No Advertising or Promotions; Prohibition of Tobacco Advertising. Tenant shall have no right to conduct any advertising or promotional activities at the Airport. Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the City, including the Premises and the Airport. This prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

9. **2016 Letter Agreement.** The 2016 Letter Agreement shall be deemed terminated as of the Effective Date hereof; provided, however, and notwithstanding the foregoing, United's rights and City's responsibilities under Section 7 ("Liability") of the 2016 Letter Agreement shall survive such termination and are hereby incorporated into this Modification by reference.

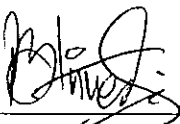
10. **Full Force and Effect.** As modified hereby, all other terms and conditions of the Lease shall remain in full force and effect.

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**IN WITNESS WHEREOF**, the parties hereto have executed this Modification by their duly authorized officers, as of the day and year first above written.

**TENANT:** UNITED AIRLINES, INC.,  
a Delaware corporation

By:   
Pranav Trivedi  
Managing Director, Airport Affairs  
Corporate Real Estate

**CITY:** CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation,  
acting by and through its Airport Commission

\_\_\_\_\_  
Ivar C. Satero *KK for LF*  
Airport Director

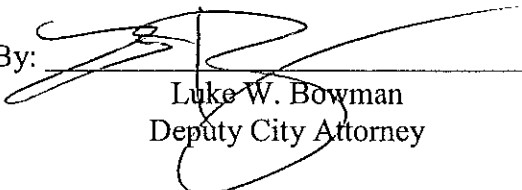
AUTHORIZED BY AIRPORT  
COMMISSION:

Resolution No. 17-0012

Adopted: January 17, 2017

Attest: \_\_\_\_\_  
Secretary  
Airport Commission

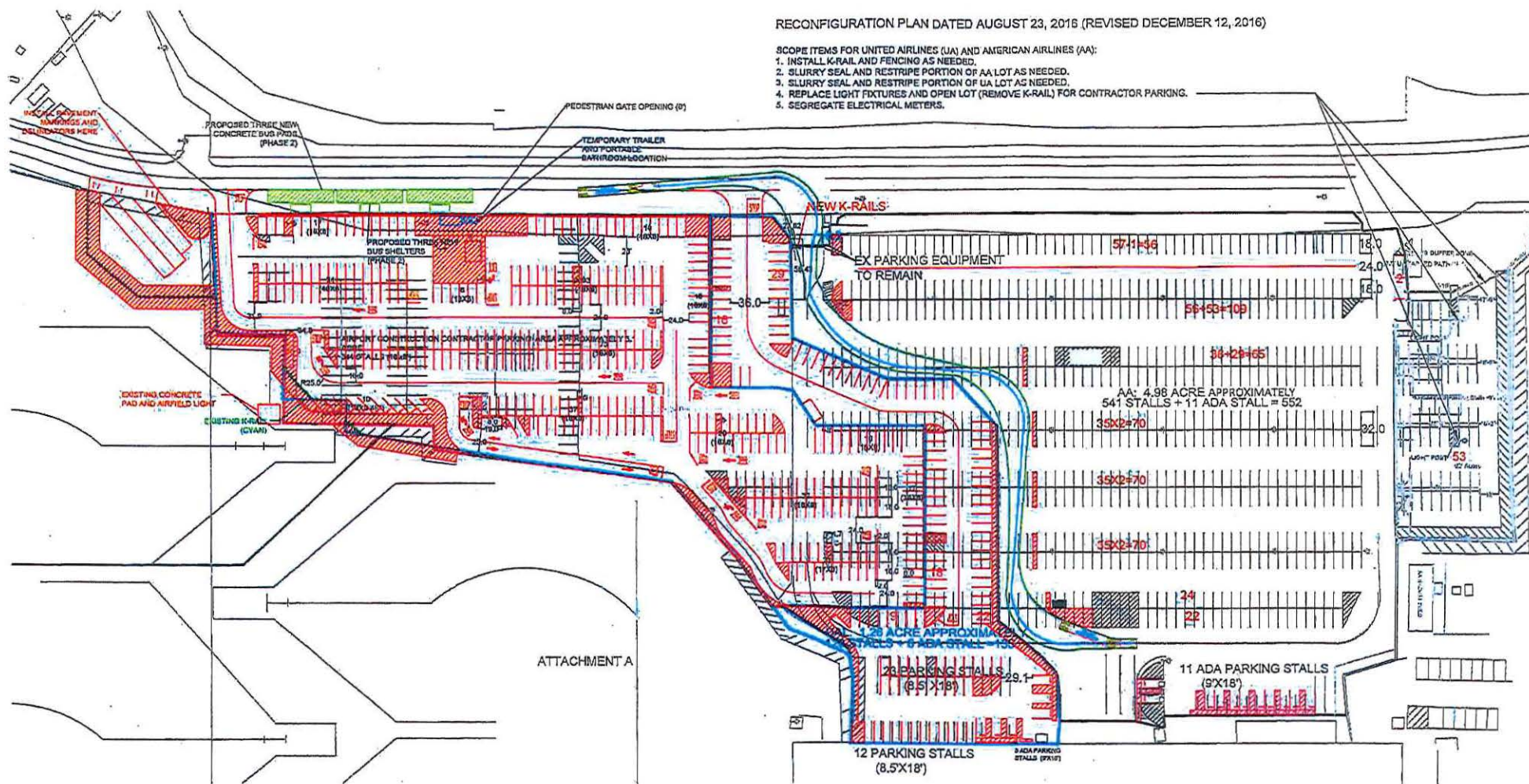
APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

By:   
Luke W. Bowman  
Deputy City Attorney

RECONFIGURATION PLAN DATED AUGUST 23, 2016 (REVISED DECEMBER 12, 2016)

SCOPE ITEMS FOR UNITED AIRLINES (UA) AND AMERICAN AIRLINES (AA):

1. INSTALL K-RAIL AND FENCING AS NEEDED.
2. SLURRY SEAL AND RESTRIPE PORTION OF AA LOT AS NEEDED.
3. SLURRY SEAL AND RESTRIPE PORTION OF UA LOT AS NEEDED.
4. REPLACE LIGHT FIXTURES AND OPEN LOT (REMOVE K-RAIL) FOR CONTRACTOR PARKING.
5. SEGREGATE ELECTRICAL METERS.



ATTACHMENT A