



MEMORANDUM

December 3, 2019

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenlime
Hon. Malcolm Yeung

19-0303

DEC - 3 2019

FROM: Airport Director

SUBJECT: Modification No. 2 to Ground Lease L00-0464 with United Airlines, Inc. for the Exchange of Certain Land at Plot 6 in Support of the Plot 6 Reconfiguration Project

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 2 TO UNITED AIRLINES, INC.'S GROUND LEASE L00-0464 TO EXCHANGE CERTAIN LAND AT PLOT 6 IN SUPPORT OF THE PLOT 6 RECONFIGURATION PROJECT.

Executive Summary

The Airport is developing additional aircraft parking positions in and around Plot 6 as part of the Plot 6 Reconfiguration Project (Plot 6 Project) impacting some portions of the demised premises of United Airlines Ground Lease L00-0464 (United Lease). Staff has negotiated with United Airlines, Inc. (United) an exchange of certain parcels of land under the United Lease for certain parcels of Airport land pursuant to Modification No. 2 to the Lease (Modification No. 2). The terms of Modification No. 2 provide for the exchange of parcels between the Airport and United, that results in (i) a net decrease of the United Lease Premises by approximately 0.51 acres, and (ii) decreases the annual rent payable by United to \$2,243,031.43.

Background

The Airport owns real property at 585 McDonnell Road, San Francisco, California, designated as Plot 6. On December 19, 2000, by Resolution No. 00-0464, the Airport Commission (Commission) approved the Lease with United for certain portions of Plot 6 (the United Plot 6 Premises). On June 1, 2001, by Resolution No. 403-01, the Board of Supervisors approved the Lease. United uses the United Plot 6 Premises for air cargo operations and employee parking.

On June 7, 2011, by Resolution No. 11-0135, the Commission approved Modification No. 1 to the Lease (Modification No. 1). On January 12, 2012, by Resolution No. 1-12, the Board of Supervisors approved Modification No. 1. Under Modification No. 1, the original term of the United Lease, which expired on June 30, 2011, was extended for an additional ten (10) years, commencing July 1, 2011 and terminating June 30, 2021. The current Annual Rent under Modification No. 1 is \$2,338,328.50 per year.

As part of the Airport's ongoing efforts to maximize the efficient use of ramp space in and around the terminals, as part of the Plot 6 Project, the Airport is developing additional remote aircraft parking

THIS PRINT COVERS CALENDAR ITEM NO. 15

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME MALCOLM YEUNG IVAR C. SATERO AIRPORT DIRECTOR

positions and making other related improvements in and around Plot 6. As a result, certain portions of the United Plot 6 Premises must be reconfigured.

The Plot 6 Project requires adjustments to the United Plot 6 Premises such that certain portions of the United Plot 6 Premises will be recaptured by the City (City Recapture Parcels), and in exchange, the City will convey to United certain portions of adjacent land currently outside of the United Plot 6 Premises (Additional United Lease Parcels). The City Recapture Parcels total approximately 1.79 acres, and the Additional United Lease Parcels total approximately 1.28 acres. Upon the completion of the reconfiguration, the United Lease Premises will be reduced by approximately 0.51 acres, resulting in a reduced annual rent payable by United to \$2,243,031.43

Proposal

Modification No. 2 includes the following major terms:

1. **Effective Date:** The effective date shall be the latest date when (1) the Commission and the Board of Supervisors shall have approved Modification No. 2, and (2) both parties have executed Modification No. 2.
2. **Plot 6 Reconfiguration:** With five business days' advance written notice to United, the City will recapture the City Recapture Parcels and the City will convey to United the Additional United Lease Parcels. United's final demised Premises will be comprised of approximately 12.029 acres, including 0.025 acres containing an electric substation shared with the Airport, for a net decrease of approximately 0.51 acres.
3. **Adjustments to Exchanged Parcels:** The parties may adjust the parcels in an amount not-to-exceed 10% of the total acreage of the combined area of the City Recapture Parcels and the Additional United Lease Parcels to the extent consistent with the objectives of the Plot 6 Project.
4. **Annual Rent:** Absent any adjustments to exchanged premises, annual rent will be decreased to \$2,243,031.43, a decrease of approximately 4.1%. In the event there are any adjustments to the exchanged parcels, the annual rent will be appropriately adjusted.

Recommendation

I recommend this Commission adopt the attached Resolution approving Modification No. 2 to Ground Lease L00-0464 with United Airlines, Inc. in support of the Plot 6 Reconfiguration Project, and directs 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

Attachment

ICS/LF/TR/SM:gp

bcc: admin/chron/doc/Teresa Rivor/Sean Murphy/Christopher W. Stuart

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0303

APPROVAL OF MODIFICATION NO. 2 TO GROUND LEASE L00-0464 WITH UNITED AIRLINES, INC. FOR THE EXCHANGE OF CERTAIN LAND AT PLOT 6 IN SUPPORT OF THE PLOT 6 RECONFIGURATION PROJECT

WHEREAS, on December 19, 2000, by Resolution No. 00-0464, the Airport Commission approved Lease L00-0464 (United Lease) with United Airlines (United) for a portion of Plot 6 at the Airport (United Plot 6 Premises). On June 1, 2001, by Resolution No. 403-01, the Board of Supervisors approved the Lease; and

WHEREAS, on June 7, 2011, by Resolution No. 11-0135, the Commission approved Modification No. 1 to the Lease, which adjusted the annual rent payable by United and extended the term of the Lease to June 30, 2021 (Modification No. 1). On January 10, 2012, by Resolution No. 1-12, the Board of Supervisors approved Modification No. 1; and

WHEREAS, as part of the Airport's ongoing efforts to maximize the efficient use of ramp space in and around the terminals, the Airport is developing additional aircraft parking and making certain other related improvements and alterations affecting Plot 6, including portions affecting certain areas of the United Plot 6 Premises (Plot 6 Project); and

WHEREAS, completion of the Plot 6 Project requires the following adjustments to the United Plot 6 Premises, which is set forth in Modification No. 2 to the Lease (Modification No. 2): (i) City will recapture certain portions of the United Plot 6 Premises designated "City Recapture Parcels," consisting of approximately 1.79 acres, and (ii) in exchange, City will convey to United those certain portions of land designated as the "Additional United Lease Parcels," consisting of approximately 1.28 acres; now, therefore, be it

RESOLVED, that this Commission hereby approves Modification No. 2, to be effective on the latest date when (i) the Commission and the Board of Supervisors shall have approved Modification No. 2, and (ii) the City and United have both executed Modification No. 2, which modifies the United Plot 6 Premises through an exchange of parcels between the City and United that will result in a net decrease of the United Plot 6 Premises by approximately 0.51 acres and a decrease in the annual rent payable by United to \$2,243,041.43; and, be it further

RESOLVED, that the Commission hereby directs the Commission Secretary to forward 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.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of _____

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Secretary