

1 [Contract Amendment - Hyatt Corporation - Hotel Management for On-Airport Hotel - Not to
2 Exceed \$23,841,880]

3 **Resolution approving the Fourth Modification to the Hotel Management Agreement with**
4 **Hyatt Corporation for management of the on-airport hotel at San Francisco**
5 **International Airport, to reduce the management fees paid to Hyatt Corporation during**
6 **Hotel operating years 2021 and 2022, extend the trigger dates for certain performance**
7 **termination events, extend the initial term by two years, and increase the contract**
8 **amount for a new total amount not to exceed \$23,841,880 to commence upon Board**
9 **approval.**

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11 WHEREAS, On September 22, 2015, by Resolution No. 15-0178, the Airport
12 Commission awarded Contract No. 50006, the Hotel Management Agreement (the "HMA"), to
13 Hyatt Corporation ("Hyatt") to manage the on-airport hotel (the "Hotel") at San Francisco
14 International Airport (the "Airport"), with a term of ten years and one five-year option to extend
15 at the discretion of the Commission, and a not to exceed compensation amount of
16 \$19,945,418 plus reimbursement of expenses; and

17 WHEREAS, On December 1, 2015, by Resolution No. 434-15, the Board of
18 Supervisors approved the execution and delivery of the HMA; and

19 WHEREAS, The Airport Commission and Hyatt have entered into three previous
20 modifications to the HMA to clarify certain matters, including a First Modification, dated as of
21 June 1, 2017, a Second Modification, dated as of August 1, 2017, and a Third Modification,
22 dated as of May 9, 2018; and

23 WHEREAS, The Hotel opened on October 4, 2019 and has been operating at a loss
24 since the onset of the COVID-19 pandemic in March 2020 due to substantially reduced guest
25 reservations and event facility bookings; and

1 WHEREAS, The HMA provides for Hyatt to receive compensation in the form of a
2 management fee for its services as Hotel manager, according to a fixed fee schedule, with a
3 portion (the “Base Management Fee”) being paid from gross Hotel revenue, and a portion (the
4 “Subordinate Management Fee”) being paid from net Hotel revenue after funding certain
5 reserves and paying debt service on special facility bonds issued to finance the Hotel; and

6 WHEREAS, In light of the significant financial challenges to the Hotel arising out of the
7 COVID-19 pandemic, Airport staff have negotiated a Fourth Modification to the HMA to
8 (1) reduce the Base Management Fees paid to Hyatt by 60% for 2021 and by 30% for 2022,
9 for a total fee reduction of \$1,158,535; (2) extend the trigger dates for certain performance
10 termination events that allow the Airport Commission to terminate the HMA due to Hyatt’s
11 performance as manager; (3) extend the initial HMA term by two years, for a new initial term
12 of 12 years while retaining one 5-year option to extend at the discretion of the Airport
13 Commission; (4) provide for payment from Hotel revenues of additional management fees of
14 \$5,054,997 to compensate Hyatt for its management services during years 11 and 12 of the
15 initial HMA term; and (5) make changes necessary to preserve the tax-exempt status of
16 interest on the related bonds, among other changes; and

17 WHEREAS, On April 6, 2021, by Resolution No. 21-0092 (the “Commission Fourth
18 Modification Resolution”), the Airport Commission approved the Fourth Modification to the
19 HMA and authorized the Airport Director to execute and deliver the Fourth Modification to the
20 HMA and to take certain actions relating to consent of the trustee for the special facility bonds
21 secured by net revenue of the Hotel; and

22 WHEREAS, The Fourth Modification to the HMA, the Commission Fourth Modification
23 Resolution, and the HMA as previously modified are all on file with the Clerk of the Board of
24 Supervisors in File No. 210411; now, therefore, be it

1 RESOLVED, That the Board of Supervisors hereby declares that each of the foregoing
2 recitals is true and correct and is a representation of the Board; and, be it

3 FURTHER RESOLVED, That the Fourth Modification to HMA in the form presented
4 and on file with the Clerk of the Board is hereby approved, and that the Airport Director and
5 other appropriate Airport officials are hereby authorized to execute and deliver the Fourth
6 Modification to HMA; and, be it

7 FURTHER RESOLVED, That within thirty (30) days of the Fourth Modification to the
8 HMA being executed by all parties, the Airport Director shall provide copies of the executed
9 document to the Clerk of the Board for inclusion into the official file; and, be it

10 FURTHER RESOLVED, That all actions heretofore taken by the officers, agents and
11 employees of the Airport Commission and the City to carry out the intents and purposes of the
12 Commission Fourth Modification Resolution, and of this Resolution, as consistent with this
13 Resolution, are hereby ratified, approved and confirmed; and, be it

14 FURTHER RESOLVED, That the Airport Commission and its proper officers, agents
15 and employees and those of the City are hereby authorized to take such actions or execute
16 such certificates, documents and agreements, in consultation with the City Attorney, as may
17 be necessary or desirable to carry out the intents and purposes of this Resolution and the
18 transactions contemplated hereby (the "Other Documents"), without the need for further
19 approval by the Board of Supervisors; provided, that any such other actions or execution of
20 any such Other Documents are intended solely to further the purposes of this Resolution, and
21 are subject in all respects to the terms of this Resolution; and provided further, that no such
22 actions or execution of such Other Documents shall increase the risk to the Airport
23 Commission or the City or require the Airport Commission or the City to expend any resources
24 not otherwise authorized hereby; and, be it

1 FURTHER RESOLVED, That should the application of any provision of this Resolution
2 to any particular facts or circumstances be found by a court of competent jurisdiction to be
3 invalid or unenforceable, then (a) the validity of other provisions of this Resolution shall not be
4 affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent
5 possible so as to effect the intent of this Resolution.

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