

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 21-0235

APPROVAL OF MODIFICATION NO. 2 TO FIXED BASE OPERATOR LEASE AND OPERATING AGREEMENT NO. 07-0106 WITH SIGNATURE FLIGHT SUPPORT LLC, FOR AN ADDITIONAL THREE-YEAR TERM EXTENSION

WHEREAS, on May 15, 2007, by Resolution No. 07-0106, the Airport Commission (Commission) awarded the Fixed Base Operator Lease and Operating Agreement (Operating Agreement) to Signature Flight Support LLC (Signature) to operate the sole fixed base operation (FBO) at the Airport for an initial term of ten years expiring September 30, 2017 (Term); and

WHEREAS, on July 31, 2007, by Resolution No. 426-07, the Board of Supervisors approved the Operating Agreement; and

WHEREAS, on September 9, 2014, by Resolution No. 14-0176, the Commission approved Modification No. 1, which (i) extended the Operating Agreement for five years, through September 30, 2022 (the Term Extension); (ii) required completion of a new Hangar C by November 2014; and (iii) required the renovation of the Executive Air Terminal by April 2018 (Modification No. 1); and

WHEREAS, on November 25, 2014, by Resolution No. 436-14, the Board of Supervisors approved Modification No. 1; and

WHEREAS, in advance of the upcoming expiration date of the Term Extension, Staff conducted market research to evaluate the financial implications of conducting a competitive selection process for a new fixed base operator agreement, which research demonstrated that Signature's current minimum annual guarantee (MAG) is above-market because of the significant decline in general aviation operations due to the COVID-19 global pandemic; and

WHEREAS, in order to retain the above-market MAG value of the Operating Agreement, Staff believes it is in the best interest of the Airport to delay conducting a competitive process for a new operating agreement and to extend the term of the current Operating Agreement with Signature for an additional period of three years at the current value of MAG (as adjusted annually by the CPI under the Operating Agreement), which will commence on October 1, 2022 and expire on September 30, 2025 (Additional Term Extension); and

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 21-0235

WHEREAS, Staff and Signature have negotiated the terms of Modification No. 2 to the Operating Agreement to (i) extend the Term for the Additional Term Extension, (ii) require Signature to make infrastructure improvements in the customer parking lot adjacent to the Executive Air Terminal, (iii) require Signature to comply with certain additional sustainability requirements, and (iv) update certain legal provisions required by applicable local, state, and federal laws (Modification No. 2); and

WHEREAS, all other terms and conditions of the Operating Agreement will remain unmodified and in full force and effect; now, therefore, be it

RESOLVED, that this Commission hereby approves Modification No. 2, 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 Modification No. 2 to the Board of Supervisors for approval in accordance with Section 9.118 of the Charter of the City and County of San Francisco.

Page 2 of 2

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

at its meeting of _____

= DEC 7 2021



Secretary



MEMORANDUM

December 7, 2021

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Eleanor Johns, Vice President
Hon. Everett A. Hewlett, Jr.
Hon. Jane Natoli
Hon. Malcolm Yeung

21-0235
- DEC 7 2021

FROM: Airport Director

SUBJECT: Approval of Modification No. 2 to Fixed Base Operator Lease and Operating Agreement No. 07-0106 with Signature Flight Support LLC, for an Additional Three-Year Term Extension

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 2 TO FIXED BASE OPERATOR LEASE AND OPERATING AGREEMENT NO. 07-0106 WITH SIGNATURE FLIGHT SUPPORT LLC, FOR AN ADDITIONAL THREE-YEAR TERM EXTENSION, 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

Signature Flight Support LLC (Signature) operates the current and sole fixed based operation (FBO) at San Francisco International Airport, which is located on Plot 42 on the north side of the airfield, for the accommodation, storage, and maintenance of general aviation aircraft. The FBO is used for general aviation, corporate, and other non-scheduled aircraft. Signature was originally awarded the Fixed Base Operator Lease and Operating Agreement (Operating Agreement) for a term of ten (10) years, from October 1, 2007 through September 30, 2017 (Term). The Term was extended by five years, for a new expiration date of September 30, 2022, through Modification No. 1 to the Agreement.

In order to retain the above-market value of the Operating Agreement, Staff seeks the approval of the Airport Commission (Commission) to Modification No. 2 to the Agreement, which grants an additional three-year Term extension, for a new expiration date of September 30, 2025 (Modification No. 2). Modification No. 2 also requires Signature to undertake certain infrastructure improvements and satisfy sustainability requirements. Payments of the Minimum Annual Guarantee (MAG) will remain in effect and continue to adjust annually based on the Consumer Price Index (CPI) adjustments.

THIS PRINT COVERS CALENDAR ITEM NO. 8

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

Background

On May 15, 2007, by Resolution No. 07-0106, the Commission awarded the Operating Agreement to Signature for a 10-year Term, commencing October 1, 2007 and expiring September 30, 2017. On July 31, 2007, by Resolution No. 436-07, the Board of Supervisors (the Board) approved the award of the Operating Agreement to Signature.

On September 9, 2014, by Resolution No. 14-0176, the Commission approved Modification No. 1, which (i) extended the Operating Agreement for five (5) years (the Term Extension); (ii) required completion of a new Hangar C by November 2014, and (iii) required the renovation of the Executive Air Terminal by April 2018 (collectively, Modification No. 1). On November 25, 2014, by Resolution No. 436-14, the Board approved Modification No. 1.

The Operating Agreement is in the last year of the Term Extension. Currently, the MAG payable under the Operating Agreement is \$15,828,879.95. Earlier this year in advance of the upcoming expiration date of the Term Extension, Staff conducted market research to evaluate the financial implications of conducting a competitive process for a new fixed base operator agreement. This research shows Signature's MAG is above-market because of the significant decline in general aviation operations due to the COVID-19 global pandemic. The average MAG or annual rent structure for a similar FBO among comparable airports surveyed is \$6,757,063.00, as detailed in Attachment B. The only airport surveyed with a higher MAG is Washington Dulles International Airport.

Accordingly, Staff believes it is in the best interest of the Airport to delay conducting a competitive process and to extend the term of the Operating Agreement for an additional period of three years, which will commence on October 1, 2022 and expire on September 30, 2025 (Additional Term Extension). During the Additional Term Extension, Signature will continue to pay the MAG, preserving the above-market rate, which will continue to be adjusted annually by the CPI formula set forth in the Operating Agreement.

Staff is otherwise satisfied with Signature's operation of the FBO and recommends granting the Additional Term Extension, along with requiring Signature to make the infrastructure improvements and satisfy the sustainability requirements set forth in the Proposal below.

Proposal

Staff and Signature have negotiated the terms of Modification No. 2 to the Operating Agreement, summarized as follows:

- (i) **Additional Term Extension:** One three-year extension, for a new expiration date of September 30, 2025.
- (ii) **Required Improvements:** Signature will make infrastructure improvements in the customer parking lot adjacent to the Executive Air Terminal within 180 days from the Effective Date of Modification No. 2.

- (iii) **Additional Sustainability Requirements:** For the duration of the Additional Term Extension, Signature will offer industry standard sustainable aviation fuel, as reasonably determined by City, for turbine engine fuel sales, subject to availability, using all commercially reasonable efforts to procure the same. In addition, no later than December 31, 2021, Signature will replace all fuel trucks in operation at the Premises with low emission models featuring Tier 4/Stage IV engines.
- (iv) **City and Other Governmental Provisions:** Modification No. 2 will update the Operating Agreement to comply with all applicable local, state, and federal laws.

Recommendation

I recommend adoption of the attached resolution (1) approving Modification No. 2 to Fixed Based Operator Lease and Operating Agreement No. 07-0106 with Signature Flight Support LLC, which grants an Additional Term Extension of three years, for a new expiration date of September 30, 2025, obligates Signature to make certain infrastructure improvements and satisfy certain additional sustainability requirements, and updates certain legal provisions required by applicable local, state, and federal laws; and (2) directing the Commission Secretary to request the Board of Supervisors' approval of Modification No. 2 pursuant to Section 9.118 of the Charter of the City and County of San Francisco.



Ivar C. Satero
Airport Director

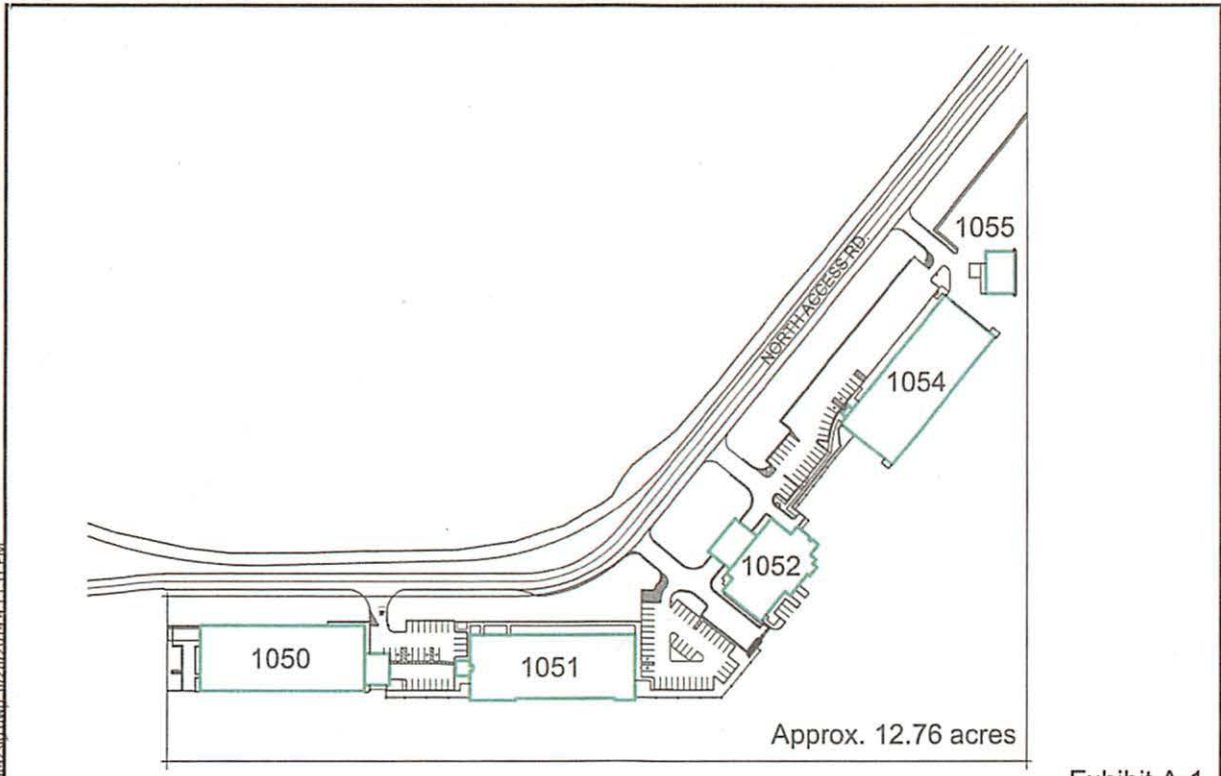
Prepared by: Kevin Bumen
Chief Commercial Officer

Attachments

ATTACHMENT A

FIXED BASE OPERATOR LEASE AND OPERATING AGREEMENT
NO. 07-0106

Premises



I:\A\10\CAD\LEASE\Plot_42\plt42sig.dwg, 8/28/2014, 4:13:31 PM

Exhibit A-1

| LEASE DRAWING | | ROOM NUMBER | AREA | CAT |
|-------------------------------------|--|-------------|---------|-----|
| LOCATION: PLOT 42 | | Bldg. 1055 | 2,816' | N/A |
| TENANT: SIGNATURE FLIGHT SUPPORT | | Bldg. 1054 | 24,447' | N/A |
| AIRPORTS COMMISSION | | Bldg. 1052 | 9,300' | N/A |
| DWG: PLT42SIG | | Bldg. 1051 | 24,470' | N/A |
| CITY & COUNTY OF SAN FRANCISCO | | Bldg. 1050 | 24,447' | N/A |
| DATE: 08/28/2014 | | | | |
| SAN FRANCISCO INTERNATIONAL AIRPORT | | | | |



ATTACHMENT B

Comparison of Minimum Annual Guarantee (MAG)/Annual Rent at Other Airports

| Airport | Fixed Based Operator | Minimum Annual Guarantee (MAG)/Annual Rent 2020-2021 |
|-------------------------|-----------------------------|---|
| Atlanta (ATL) | Signature | \$3,985,233 |
| Ft. Lauderdale (FLL) | Signature | \$1,865,333 |
| Las Vegas (LAS) | Signature | \$5,708,816 |
| Las Vegas (LAS) | Atlantic Aviation | \$3,410,277 |
| San Diego (SAN) | Signature | \$6,214,716 |
| Washington Dulles (IAD) | Signature | \$19,358,000 |

Note: Lease structures vary at each airport