

1 [Fixed Base Operator Lease and Operating Agreement Modification No. 2 - Signature Flight
2 Support LLC - \$16,246,762 Estimated Minimum Annual Guarantee]

3 **Resolution approving Modification No. 2 to Fixed Base Operator Lease and Operating**
4 **Agreement No. 07-0106 between Signature Flight Support LLC and the City and County**
5 **of San Francisco, acting by and through its Airport Commission, to extend the term by**
6 **an additional three years, for a term to commence from October 1, 2022, through**
7 **September 30, 2025, for an estimated Minimum Annual Guarantee of \$16,246,762 during**
8 **the first year of the additional term extension.**

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10 WHEREAS, On May 15, 2007, by Resolution No. 07-0106, the Airport Commission
11 (“Commission”) awarded the Fixed Base Operator Lease and Operating Agreement
12 No. 07-0106 (the “Operating Agreement”) to Signature Flight Support LLC (“Signature”) with a
13 term of 10 years and a base rent equal to the higher of (“Base Rent”) (i) the Minimum Annual
14 Guarantee (“MAG”) or (ii) percentage rent equal to the sum of 100% of aircraft landing fees
15 collected, 27% of all fuel sales, 55% of all aircraft parking fees, 40% of all advertising gross
16 revenues, 26% of other gross revenues, and 1% of the gross sale prices received from the
17 sale of any general aviation aircraft (collectively, “Percentage Rent”); on July 31, 2007, by
18 Resolution No. 436-07, the San Francisco Board of Supervisors (the “Board”) finally approved
19 the Operating Agreement; and

20 WHEREAS, On September 9, 2014, by Resolution No. 14-0176, the Commission
21 approved Modification No. 1 to the Operating Agreement (“Modification No. 1”), extending the
22 lease for five years through September 30, 2022 (the “Term Extension”), and requiring
23 Signature to complete construction of a new Hangar C by November 2014 and renovate the
24 existing Executive Air Terminal by April 2018; on November 25, 2014, by Resolution No. 436-
25 14, the Board finally approved Modification No. 1; and

1 WHEREAS, In advance of the upcoming expiration date of the Term Extension, Airport
2 Staff conducted market research to evaluate the financial implications of conducting a
3 competitive selection process for a new fixed base operator agreement, which research
4 demonstrated that Signature’s current MAG is above-market because of the significant
5 decline in general aviation operations due to the COVID-19 global pandemic; and

6 WHEREAS, In order to retain the above-market MAG value of the Operating
7 Agreement, Airport Staff believes it is in the best interest of the Airport to delay conducting a
8 competitive process for a new operating agreement and enter into Modification No. 2 to the
9 Operating Agreement (“Modification No. 2”) which extends the term of the current Operating
10 Agreement for an additional period of three years which will commence on October 1, 2022
11 and expire on September 30, 2025 (the “Second Extension Term”) at the current Base Rent
12 (with the current MAG being adjusted on October 1, 2022 and annually thereafter by the CPI
13 under the Operating Agreement, for an estimated MAG of \$16,246,762 during the first year of
14 the Second Extension Term), and requires Signature to (i) make certain infrastructure
15 improvements in the customer parking lot adjacent to the Executive Air Terminal and (ii)
16 comply with certain additional sustainability requirements; and

17 WHEREAS, A copy of the form of Modification No. 2 is on file with the Clerk of the
18 Board of Supervisors in File No. 220058, which is hereby declared to be part of this resolution
19 as if set forth fully herein; now, therefore, be it

20 RESOLVED, That the Board of Supervisors hereby approves and authorizes the
21 execution of Modification No. 2 to Fixed Base Operator Lease and Operating Agreement No.
22 07-0106 between Signature Flight Support LLC and the City and County of San Francisco,
23 acting by and through its Airport Commission; and, be it

1 FURTHER RESOLVED, That within thirty (30) days of Modification No. 2 being fully
2 executed by all parties, the Commission shall provide a copy of the final Modification No. 2 to
3 the Clerk of the Board for inclusion into the official file.

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