

**MODIFICATION NUMBER 3 TO
LEASE AGREEMENT FOR A PORTION OF PLOT 40 SUPERBAY HANGAR
SAN FRANCISCO INTERNATIONAL AIRPORT**

AMERICAN AIRLINES, INC.

Lease No. L13-0071

THIS MODIFICATION NUMBER 3 TO LEASE (this “**Modification**”), dated October 31, 2018, 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 American 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. L13-0071, dated April 8, 2013, authorized by Airport Commission Resolution No. 13-0071 and Board of Supervisors Resolution No. 370-13 (the “**Lease**”) for a portion of the SuperBay Hangar, which is used for aircraft maintenance, aircraft parking, and employee parking.
- C. On September 6, 2016, pursuant to Airport Commission Resolution No. 16-0240, City approved Modification No. 1 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. 1 was never achieved. On January 17, 2017, Modification No. 1 was rescinded, and replaced with Modification No. 2 to the Lease pursuant to Airport Commission Resolution No. 17-0011 and Board of Supervisors Resolution No. 39-18.
- D. The premises under the amended Lease consists of approximately 127,900 square feet of hangar space on the 1st floor, 38,900 square feet of hangar space on the 2nd and 4th floors, 11,500 square feet of general services equipment shop area, 17.4 acres of land for aircraft parking, 4.99 acres of land for employee parking, and 1.5 acres of land for an equipment wash rack area, which 1.5 acres is leased on a non-exclusive basis (the “**Premises**”), as more fully described on Exhibit A-1 to the Lease, Airport Drawing AAPLOT40, dated January 4, 2017, and Exhibits A-2 and A-3 to the Lease, Airport Drawings PLOT4002 and PLOT 4003 respectively, both dated February 5, 2013.
- E. The Lease expires on October 31, 2018 and Tenant wishes to continue occupancy pursuant to a Lease modification that extends the term for four (4) years and eight (8) months through June 30, 2023.

- F. In furtherance of the City's SuperBay Hangar Fire Suppression System Replacement Project (the "**Project**"), City has proposed a recapture of a portion of Tenant's employee parking lot and aircraft ramp space, consisting of approximately 0.23 acres of the employee parking lot and 0.17 acres of the aircraft parking space, collectively, (the "**Recapture Parcels**") in order to install certain pump station equipment.
- G. Tenant and City now desire to modify the terms of the Lease to extend the Term, adjust the Annual Rent, and reduce the Premises 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 of this Modification shall be November 1, 2018 (the "**Effective Date**").
- (c) Capitalized terms not defined herein shall have the meanings given them in the Lease.

2. Term. The Term of the Lease shall be extended by four (4) years and eight (8) months, commencing November 1, 2018 and expiring on June 30, 2023 (the "**Extension Term**").

3. Rent. The Annual Rent shall be adjusted to fair market value, based on a City appraisal, in the amount of Six Million Seventy Six Thousand Three Hundred Thirty Eight Dollars (\$6,076,338.00) effective on the first day of the Extension Term.

4. Rent Adjustment. The Annual Rent will be adjusted annually by increases in the Consumer Price Index, as provided in Section 4.3 [Adjustments to Annual Rent] of the Lease, except that such adjustment mechanism shall be modified as follows:

4.1 Annual Rent for the first Lease Year of the Extension Term will be \$6,076,388.00.

4.2 Base Index will be equal to the Consumer Price Index published three (3) months prior to the Effective Date, i.e., August 2018.

4.3 "Comparison Index" means the most recent Consumer Price Index published three (3) months prior to each Rent Adjustment Date.

4.4 Notwithstanding anything to the contrary herein, in no event will the Annual Rent of any Lease Year of the Extension Term be lower than the Annual Rent with respect to the prior Lease Year.

5. Premises Reduction. From and after the Effective Date, the Premises shall be modified by the surrender of the Recapture Parcels, resulting in a reconfigured employee parking lot consisting of approximately 4.76 acres and a reconfigured aircraft parking space consisting of approximately 17.23 acres, as more fully described on Airport Drawing AAPLOT40, dated August 6, 2018, attached hereto as Exhibit A-1 and incorporated into the Lease by this reference. 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 Parcels.

City and Tenant acknowledge and agree that at such time as the Project is completely designed and constructed, the Premises as modified above may require non-material revisions to reflect the final configuration and dimensions of the pump equipment area. After verification by the Airport Director and Tenant of such configuration and dimensions, the Premises shall be expanded or contracted by revision to Exhibit A-1 without the requirement for formal amendment to the Lease or the approval of any party other than the Airport Director and the Tenant as to the dimensions and configuration of such space. If such non-material revisions to the Premises occur, the Annual Rent will be adjusted accordingly.

6. Premises. From and after the Effective Date, the Premises under the Lease shall consist of approximately:

- 127,900 square feet of hangar space on the 1st floor,
- 38,900 square feet of hangar space on the 2nd and 4th floors,
- 11,500 square feet of general services equipment shop area,
- 17.23 acres of land for aircraft parking,
- 4.76 acres of land for employee parking, and
- 1.5 acres of land for an equipment wash rack area to be used on a nonexclusive basis.

As of the Effective Date, the term "**Premises**" as used in the Lease and in this Modification below shall mean the Premises as modified pursuant to this Modification.

7. Exhibit Exchange.

7.1 From and after the Effective Date, Exhibit A-1 to the Lease, Airport Drawing AAPLOT40, dated January 4, 2017, shall be deleted in its entirety and substituted with Exhibit A-1 hereto, Airport Drawing No. AAPLOT40, dated August 6, 2018.

7.2 From and after the Effective Date, Exhibit B to the Lease shall be deleted in its entirety and substituted with the attached Exhibit B, dated November 1, 2018, to reflect the change in maintenance responsibility for the freight elevator, which will become a City obligation under the Lease.

8. Full Force and Effect. As modified hereby, all 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: AMERICAN AIRLINES, INC.,
a Delaware corporation

By: 

Tim Skipworth
Vice President, Airport Affairs and
Facilities

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

By: 

Ivar C. Satero
Airport Director

AUTHORIZED BY AIRPORT
COMMISSION:

Resolution No. 18- 0306
Adopted: September 18, 2018

Attest: 

Corina Monzón
Secretary, Airport Commission

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

By: 

Brooke D. Abola
Deputy City Attorney

**EXHIBIT A-1
DATED NOVEMBER 1, 2018**

PREMISES

EXHIBIT B
DATED NOVEMBER 1, 2018

MAINTENANCE RESPONSIBILITIES

Description	Responsible Party	
	City	Airline
400 Hz Synchronous Generator		X
Air Conditioners		X
Aircraft Wash Systems		X
Structural Related Hazardous Materials		
- Asbestos	X	
- Lead Base Paint	X	
- Light Fixture PCB	X	
Structural Maintenance – Hangar		
- Floors – Structural Substrata	X	
- Roof	X	
- Storm Drain Systems	X	
- Substructure	X	
- Doors	X	
- Structured Walls and Exterior Coverings	X	
Structural Maintenance – Ramp		
- Ramp Area	X	
- Substructure	X	
Non-Structural Maintenance and Repairs; Cleaning:		
- Floors		X
- Ramp Area		X
- Interior Walls And Partitions		X
Card Readers & Alarms For Personnel Doors	X	
Compressors – Penthouse Spare And Pump House		X
Diversion Valve – Washrack		X
Door Closers		X
Electric Power High Voltage Switch Gear		X
Electric Feed Rails & Trolleys		X
Elevator – Passenger		X
Elevator – Freight	X	
Emergency Lights		
Equipment Fans		X
Exhaust Fans		X
Floor coverings		X
Fire Protection Systems:		
- Fire Alarm Bells	X	
- Fire Extinguishers		X
- Fire Prevention Inspection	X	
- Fire Protection Hose Cabinets	X	
- Fire Protection System & 4 Valve Rooms	X	
- Foam Pumps	X	
Fire Water Tanks (3), including Cathodic Protection	X	
Grimmer Schmidt Air Compressor – Penthouse		X

Description	Responsible Party	
	City	Airline
GSE Shop, including Structural Systems		X
Hangar Doors Electric		X
Hazmat Storage Area		X
Hypar Heaters		X
Industrial Waste Sump Pits		X
Jockey Pump		X
Lavatories – Group		X
Lift, Dock Loader		X
Light Poles – Ramp & Parking Lot		X
Monitor Panels		X
Pit Cover & Snubbers		X
Pole Lights & Roof Lights		X
Sanitary Waste System		X
Security Fencing	X	
Standby Generator – Supply		X
Steamcleaner		X
Storm Drain Systems – Ramp and 2 Lift Stations	X	
Sump Pumps	X	
Supply Fans		X
Taxiways Lights	X	
Underground Vaults	X	
Utility Pit Covers		X
Wall Heaters		X
Water Heaters		X
Water Traps		X