

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13_0065

APPROVAL OF A 2011 LEASE AND USE AGREEMENT WITH CHINA EASTERN AIRLINES CORPORATION LIMITED FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN FRANCISCO INTERNATIONAL AIRPORT

- WHEREAS, China Eastern Airlines Corporation Limited ("China Eastern") conducts flight operations at San Francisco International Airport ("Airport") pursuant to Airline Operating Permit No. 4296; and
- WHEREAS, China Eastern wishes to become a signatory airline at the Airport pursuant to a 2011 Lease and Use Agreement ("2011 Lease"), a lease comparable to the 2011 Leases previously approved for forty-four (44) other airlines operating at the Airport; and
- WHEREAS, the 2011 Lease has a term of ten (10) years and provides for terminal rent and landing fees, in accordance with the Airport's Rates and Charges; and
- WHEREAS, the Airport Commission of the City and County of San Francisco ("City") and China Eastern now desires to enter into a 2011 Lease under the same terms and conditions, except that the term will be approximately eight (8) years and two (2) months, with the exact term dependent upon full approval of the 2011 Lease by the City; and
- WHEREAS, in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City's Charter; now, therefore, be it
- RESOLVED, that this Commission approves the 2011 Lease between China Eastern Airlines Corporation Limited and the City consistent with the terms of the attached memorandum, subject to China Eastern complying with Chapter 12B of the City's Administrative Code and other City contracting requirements or obtaining the appropriate waivers thereto as applicable; and be it further
- RESOLVED, that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further
- RESOLVED, that the Commission Secretary is hereby directed to request Board of Supervisors' approval of said 2011 Lease for China Eastern Airlines Corporation Limited pursuant to City Charter Section 9.118.

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

at its meeting of _____

MAR 19 2013


Secretary

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13 0066

APPROVAL OF A 2011 LEASE AND USE AGREEMENT WITH SCANDINAVIAN AIRLINES OF NORTH AMERICA, INC. FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN FRANCISCO INTERNATIONAL AIRPORT

- WHEREAS, Scandinavian Airlines of North America, Inc. ("SAS") conducts flight operations at San Francisco International Airport ("Airport") pursuant to Airline Operating Permit No. 4299; and
- WHEREAS, SAS wishes to become a signatory airline at the Airport pursuant to a 2011 Lease and Use Agreement ("2011 Lease"), a lease comparable to the 2011 Leases previously approved for forty-four (44) other airlines operating at the Airport; and
- WHEREAS, the 2011 Lease has a term of ten (10) years and provides for terminal rent and landing fees, in accordance with the Airport's Rates and Charges; and
- WHEREAS, the Airport Commission of the City and County of San Francisco ("City") and SAS now desires to enter into a 2011 Lease under the same terms and conditions, except that the term will be approximately eight (8) years and two (2) months, with the exact term dependent upon full approval of the 2011 Lease by the City; and
- WHEREAS, in order to facilitate the implementation of the 2011 Lease and the placement in service of new facilities, the Commission desires to authorize the Airport Director to enter into non-material modifications to the 2011 Lease, including changes to the demised premises of not-to-exceed 10% of leased square footage, that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the Commission, do not otherwise materially increase the obligations or liabilities of the Commission, are necessary or advisable to effectuate the purposes of the 2011 Lease or this Resolution, and are in compliance with all applicable laws, including City's Charter; now, therefore, be it
- RESOLVED, that this Commission approves the 2011 Lease between Scandinavian Airlines of North America, Inc. and the City consistent with the terms of the attached memorandum, subject to SAS complying with Chapter 12B of the City's Administrative Code and other City contracting requirements or obtaining the appropriate waivers thereto as applicable; and be it further
- RESOLVED, that this Commission authorizes the Airport Director to execute said 2011 Lease and to enter into any non-material modifications thereto, including changes to the demised premises of not-to-exceed 10% of leased square footage, as described above; and be it further
- RESOLVED, that the Commission Secretary is hereby directed to request Board of Supervisors' approval of said 2011 Lease for Scandinavian Airlines of North America, Inc. pursuant to City Charter Section 9.118.

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

at its meeting of

MAR 19 2013


Secretary



San Francisco International Airport

MEMORANDUM

March 19, 2013

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenlime
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Approval of 2011 Lease and Use Agreements with China Eastern Airlines Corporation Limited and Scandinavian Airlines of North America, Inc.

DIRECTOR'S RECOMMENDATION: APPROVE 2011 LEASE AND USE AGREEMENTS WITH CHINA EASTERN AIRLINES CORPORATION LIMITED AND SCANDINAVIAN AIRLINES OF NORTH AMERICA, INC. AT SAN FRANCISCO INTERNATIONAL AIRPORT.

Executive Summary

On June 30, 2011, all 1981 Airline/Airport Lease and Use Agreements and 1999 Lease and Operating Agreements expired. San Francisco International Airport (the "Airport") and the airlines negotiated a new Lease and Use Agreement (the "2011 Lease") effective July 1, 2011. The 2011 Lease has a term of ten (10) years and continues the current residual rate-setting methodology for terminal rental rates and landing fees based on the Airport's Rates and Charges. Further, the 2011 Lease continues the Annual Service Payment to the City's General Fund.

Between the period of March 16, 2010 and January 31, 2012, the 2011 Leases between forty-four (44) airlines and the City were approved by the Airport Commission and Board of Supervisors. Staff is now seeking approval of the 2011 Lease with China Eastern Airlines Corporation Limited ("China Eastern") and Scandinavian Airlines of North America, Inc. ("SAS"), under the same terms and conditions except that the term will commence upon full approval by the City and terminate on June 30, 2021.

Background

Most of the airlines operating at the Airport were parties to the 1981 Airline/Airport Lease and Use Agreement or the 1999 Lease and Operating Agreement, all of which expired on June 30, 2011. Over the past several years, the Airport and the airlines negotiated the terms of the 2011 Lease, which was effective July 1, 2011, has a term of ten (10) years, and continues the current residual rate-setting methodology for terminal rental rates and landing fees based on the Airport's Rates and

THIS PRINT COVERS CALENDAR ITEM NO. 13

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

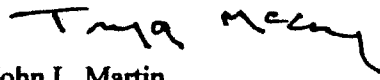
Charges. As of January 31, 2012, of the forty-four (44) airlines that were approved by the Airport Commission and Board of Supervisors, forty-three (43) airlines have become signatory airlines pursuant to the 2011 Lease. One (1) airline, Mexicana Airlines, ceased operations, filed for bankruptcy, and was unable to consummate its 2011 Lease. The major business terms of these Leases are comparable to all 2011 Leases (*Attachment A*) previously approved and implemented.

Proposal

The Airport continues to offer the 2011 Lease to airlines that wish to obtain signatory status at the Airport. China Eastern and SAS have executed and returned the 2011 Lease. SAS will operate without a need for any Exclusive Use Space and China Eastern will have rental of Exclusive Use Space in the International Terminal, as summarized on *Attachment B*. Both airlines will use the International Terminal Joint Use Space and support facilities. Fees assessed to these airlines for the Exclusive Use Space, Joint Use Space, usage of the gates and support facilities will be subject to the Airport's Rates and Charges. The 2011 Lease for China Eastern and SAS contain the same terms and conditions, except that the term of these 2011 Leases will be approximately eight (8) years and two (2) months, becoming effective on the date they are fully approved by the City. Staff is now seeking Commission approval of the 2011 Lease with China Eastern and SAS respectively, contingent upon approval of the Board of Supervisors.

Recommendation

I recommend adoption of the accompanying resolutions that approve the 2011 Lease with China Eastern and SAS respectively, and authorize the Airport Director to execute the 2011 Leases, and direct the Commission Secretary to request Board of Supervisors' approval of such 2011 Leases in accordance with City Charter Section 9.118.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachments

ATTACHMENT A
Signatories to the 2011 Lease and Use Agreements

Airline Agreement Title	Lease No.
ABX Air	L11-0005
Air Berlin	L11-0006
Air Canada	L11-0007
Air Cargo Carriers	L11-0008
Air China	L10-0075
Air France	L10-0076
Air New Zealand	L11-0009
Alaska Airlines	L10-0274
All Nippon Airways	L10-0077
American Airlines	L10-0078
Ameriflight	L11-0010
Asiana Airlines	L10-0079
British Airways	L10-0080
Cathay Pacific Airways	L10-0081
China Airlines	L10-0082
Continental Airlines	L10-0275
Delta Air Lines	L10-0083
Emirates	L10-0084
EVA Airways	L10-0085
Federal Express	L10-0086
Frontier Airlines	L10-0087
Hawaiian Airlines	L11-0011
Japan Airlines	L10-0088
JetBlue Airways	L12-0027
Kalitta Air	L10-0277
KLM Royal Dutch Airlines	L10-0089
Korean Airlines	L10-0090
LAN Peru	L11-0012
Lufthansa German Airlines	L10-0091
MN Airlines, LLC dba Sun Country Airlines	L12-0015
Nippon Cargo Airlines	L10-0278
Philippine Airlines	L10-0093
Singapore Airlines	L10-0094
Southern Air	L10-0279
Southwest Airlines	L10-0095
Swiss International Air Lines	L11-0182
TACA	L10-0096
United Air Lines	L10-0097
U.S. Airways	L10-0276
Virgin America	L10-0098
Virgin Atlantic	L10-0099
WestJet	L11-0239
World Airways	L12-0014

Note: Mexicana Lease L10-0092, approved in May 2010 was not activated.

ATTACHMENT B

EXCLUSIVE USE SPACE SUMMARY
(in square feet)

AIRLINE	CATEGORIES OF RENT				
	CAT I	CAT II	CAT III	CAT IV	CAT V
China Eastern	-0-	379	-0-	-0-	-0-
SAS	-0-	-0-	-0-	-0-	-0-