

File No. 130332

Committee Item No. 9

Board Item No. 21

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 07/24/2013

Board of Supervisors Meeting

Date: July 30, 2013

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Form 126 - Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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Completed by: Victor Young Date July 19, 2013

Completed by: Victor Young Date 7/25/13

1 [Lease and Use Agreement - Airline/Airport 2011- China Eastern Airlines Corporation Limited
2 - Scandinavian Airlines of North America, Inc.]

3 **Resolution approving the Terms of 2011 Lease and Use Agreements between China**
4 **Eastern Airlines Corporation Limited and Scandinavian Airlines of North America, Inc.,**
5 **respectively, and the City and County of San Francisco, acting by and through its**
6 **Airport Commission, for a term ending in approximately eight years and two months.**

7
8 WHEREAS, China Eastern Airlines Corporation Limited and Scandinavian Airlines of
9 North America, Inc. (the "Airlines") conduct flight operations at San Francisco International
10 Airport (the "Airport") pursuant to Airline Operating Permit No. P4296 and No. P4299,
11 respectively; and

12 WHEREAS, The Airport Commission of the City and County of San Francisco (the
13 "City") entered into a new 2011 Lease and Use Agreement (the "2011 Lease") with forty-four
14 (44) airlines, effective July 1, 2011, for a term of ten (10) years to provide for the continuation
15 of flight operations and terminal rental by such airlines at the Airport; and

16 WHEREAS, The Airlines now desire to become a signatory to the 2011 Lease which
17 grants it the right to conduct flight operations and lease certain terminal space from the City
18 under the same terms and conditions except that the term will be approximately eight (8)
19 years and two (2) months, pending full approval by City; and,

20 WHEREAS, On March 19, 2013, the Airport Commission adopted Resolution
21 No. 13-0065 approving the 2011 Lease between China Eastern Airlines Corporation Limited,
22 and Resolution No. 13-0066 approving the 2011 Lease between Scandinavian Airlines of
23 North America, Inc., and the City, and authorizing the Airport Director to execute the new
24 2011 Leases, subject to Airlines complying with Chapter 12B of the City's Administrative
25

1 Code and other City contracting requirements, or obtaining the appropriate waivers thereto;
2 and

3 WHEREAS, A copy of the form of the 2011 Leases is on file with the Clerk of the
4 Board of Supervisors in File No. 208-10, which is hereby declared to be a part of this
5 resolution as if set forth fully herein; now, therefore, be it

6 RESOLVED, That this Board of Supervisors approves the 2011 Lease No. L13-0065
7 with China Eastern Airlines Corporation Limited, and 2011 Lease No. L13-0066 with
8 Scandinavian Airlines of North America, Inc., subject to the Airlines complying with Chapter
9 12B of the City's Administrative Code and other City contracting requirements, or obtaining
10 the appropriate waivers thereto.

**Exclusive Use Space Summary
(in square feet)**

Airline	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
China Eastern Airlines	-	379	-	-	-
Scandinavian Airlines	-	-	-	-	-

**Joint Use Space Summary
(in square feet)**

International Terminal	Categories of Rent				
	Cat I	Cat II	Cat III	Cat IV	Cat V
Total = 631,987 square feet	138,367	214,307	12,025	265,400	1,888

Item 9 File 13-0332.	Department: San Francisco International Airport (Airport)
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EXECUTIVE SUMMARY**Legislative Objective**

- The proposed resolution would authorize two seven-year and ten-month Lease and Use Agreements (Leases) from September 1, 2013 through June 30, 2021, between the Airport and (a) China Eastern Airlines and (b) Scandinavian Airlines, as signatories to the 2011 Lease and Use Agreements.

Key Points

- Airlines can operate at the Airport either by: (a) entering into a lease with the Airport as a signatory airline, or (b) obtaining a month-to-month Airline Operating Permit as a non-signatory airline. Non-signatory airlines pay the Airport a 25 percent premium on landing fees.
- The Board of Supervisors approved a 2011 Lease and Use Agreements with 43 signatory airlines for ten years, from July 1, 2011 through June 30, 2021. In addition, 9 other airlines operate at the Airport as non-signatory airlines, for a total of 52 airlines currently operating at the Airport.
- China Eastern Airlines currently operates at the Airport as a non-signatory airline under a month-to-month Airline Operating Permit, which commenced April 22, 2013. Scandinavian Airlines currently operates at the Airport as a non-signatory airline under a month-to-month Airline Operating Permit, which commenced April 8, 2013. The Airport waived Scandinavian Airlines' first year landing fees through April 2014 under the Air Carrier Incentive Program because they created a new non-stop international flight from Copenhagen to San Francisco.

Fiscal Impacts

- China Eastern Airlines and Scandinavian Airlines will pay monthly landing fees to the Airport under the proposed lease agreements that are \$24,290 less than under the existing month-to-month permits in accordance with the 2011 Lease and Use Agreements.
- Under the proposed lease agreements, China Eastern Airlines will pay an average of \$51,649 per month in landing fees for FY 2013-14 as a signatory airline, a reduction of \$12,882 per month.
- Under the proposed lease agreements, Scandinavian Airlines will pay an average of \$45,738 per month in landing fees for FY 2013-14 as a signatory airline, a reduction of \$11,408 per month; however, as noted previously, the Airport has waived Scandinavian Airlines' landing fees for one year from April 2013 to April 2014.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Section 2A.173 of the City's Administrative Code authorizes the Airport to execute leases of Airport lands and space in Airport buildings without undergoing a competitive bid process, as long as the original term of the lease does not exceed 50 years.

City Charter Section 9.118 states that leases which would result in revenues to the City in excess of \$1,000,000 are subject to Board of Supervisors approval.

Background

Airlines can operate at the Airport either by: (a) entering into a lease with the Airport as a "signatory airline" authorizing the airline to operate flights in and out of the Airport, and to rent an amount of exclusive and non-exclusive space for use by the airline, or (b) obtaining a month-to-month Airline Operating Permit for the operation of flights in and out of the Airport and to rent terminal space as a "non-signatory airline."

According to Ms. Diana Chow, Property Manager at the Airport, there are currently 52 airlines operating at the Airport. Of the 52 airlines, 43 airlines are signatory airlines under the Airport's 2011 Lease and Use Agreements and nine are non-signatory airlines operating under month-to-month Airline Operating Permits. The initial 2011 Lease and Use Agreements were between the Airport and 38 airlines for a term of ten years from July 1, 2011 through June 30, 2021. Effective December 1, 2011, Swiss International Airline was added and effective April 1, 2012, four additional airlines - JetBlue, WestJet, World Airways, and MN Airlines - were added to the agreement. The Board of Supervisors previously approved five resolutions between 2010 and 2012 for the 43 signatory airlines under the 2011 Lease and Use Agreements (File 10-0351, File 10-1213, File 11-0210, File 11-1152 and File 12-0253).

Ms. Chow notes that previous to the 2011 Lease and Use Agreements, there was little incentive for airlines to enter into a lease with the Airport as a signatory airline because both signatory and non-signatory airlines paid the same landing fee rates. However, as part of the 2011 Lease and Use Agreements, as of July 1, 2011, each non-signatory airline is required to pay a 25 percent premium on landing fees in excess of the landing fees paid by the signatory airlines to the Airport. According to Ms. Chow, the 25 percent premium on landing fees for non-signatory airlines was intended to create a financial incentive for non-signatory airlines to enter into long term leases with the Airport instead of operating at the Airport under a month-to-month permit.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would add two airlines, China Eastern Airlines Corporation Limited (China Eastern Airlines) and Scandinavian Airlines of North America, Inc. (Scandinavian Airlines) that are currently non-signatory airlines operating under month-to-month Airline Operating Permits, as signatory airlines to the Airport's 2011 Lease and Use Agreements (Lease).

China Eastern Airlines

China Eastern Airlines Corporation Limited (China Eastern Airlines) has operated passenger service in the International Terminal at the Airport as a non-signatory airline under a month-to-month Airline Operating Permit and has occupied 379 square feet of Exclusive Use Space since April 22, 2013.

China Eastern Airlines would become a signatory airline, for (a) the right to operate flights at the Airport's International Terminal, and (b) occupy a total of 379 square feet of Exclusive Use Space in the International Terminal for a period of approximately seven years and ten months from the date of approval of the proposed resolution by the Board of Supervisors through June 30, 2021.

Scandinavian Airlines

Scandinavian Airlines of North America, Inc. (Scandinavian Airlines) has operated passenger service in the International Terminal at the Airport as a non-signatory airline under a month-to-month Airline Operating Permit since April 8, 2013. Scandinavian Airlines does not rent Airport Terminal space.

The proposed resolution would approve a lease between the Airport and Scandinavian Airlines, under which Scandinavian Airlines would become a signatory airline, for the right to operate flights at the Airport for a period of approximately seven years and ten months from the date of approval of the proposed resolution by the Board of Supervisors through June 30, 2021. Scandinavian Airlines will not rent any Exclusive Use space at the Airport.

According to Ms. Chow, Scandinavian Airlines began operating a new route to and from Copenhagen in April 2013, which is a non-stop international service previously not served from the Airport. Therefore, the Airport waived Scandinavian Airlines first year landing fees pursuant to the Air Carrier Incentive Program, which provides a 100 percent discount on landing fees for a term of one year from the service commencement date. This waiver of landing fees expires in April 2014.

FISCAL IMPACT

Under the terms of the existing Lease and Use Agreements with the signatory airlines, non-signatory airlines, which have operated at the Airport under month-to-month Airline Operating Permits, are required to pay a 25 percent premium on landing fees in excess of the landing fees paid by the signatory airlines. However, as discussed above, Scandinavian Airlines' first year landing fees are waived pursuant to the Air Carrier Incentive Program, such that the waiver will expire in April 2014.

As shown in Table 1 below, China Eastern Airlines and Scandinavian Airlines will pay monthly landing fees to the Airport under the proposed lease agreements that are \$24,290 (\$12,882 plus \$11,408) less than under the existing month-to-month permit in accordance with the aforementioned lease agreements. As noted previously, the Airport has waived Scandinavian Airlines' landing fees for one year from April 2013 to April 2014.

Table 1: Landing Fees under the Proposed Lease Agreements

	Proposed Lease Agreement as Signatory Airlines	Existing Month to Month Permit as Non-Signatory Airlines	Difference
China Eastern Airlines	\$51,649	\$64,531	(\$12,882)
Scandinavian Airlines ¹	\$45,738	\$57,146	(\$11,408)

¹ Landing fees waived from April 2013 to April 2014

Airport's Break Even Policy

As a result of the Airport's "residual rate setting methodology" (the breakeven policy) used by the Airport to determine rental rates, landing fees, and related fees for all Airlines, the proposed leases between the Airport and China Eastern Airlines and Scandinavian Airlines, will not result in any budgetary shortfall for the Airport as a result of the reduced landing fees. The residual rate setting methodology is a formula which sets the schedule of all rental rates, landing fees, and related fees to a level which ensures that Airport revenues received from all of the airlines at the Airport, plus the non-airline revenues received by the Airport, is equal to the Airport's total costs, including debt service and operating expenditures. Therefore, any reductions in landing fees do not have a direct fiscal impact on the Airport.

RECOMMENDATION

Approve the proposed resolution.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 13_0065

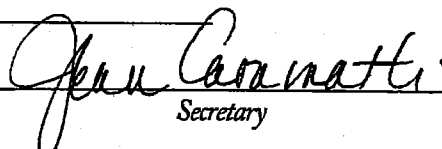
APPROVAL OF A 2011 LEASE AND USE AGREEMENT WITH CHINA EASTERN AIRLINES CORPORATION LIMITED FOR OPERATING RIGHTS AND RENTAL OF TERMINAL SPACE AT SAN FRANCISCO INTERNATIONAL AIRPORT

- 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

1545


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

1546


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. Guggenhime
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

1547

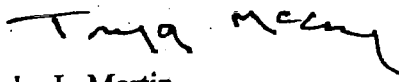
Charges. As of January 31, 2012, of the forty-four (44) airlines that were approved by the Airport Commission and Board of Supervisors, forty-three (43) airlines have become signatory airlines pursuant to the 2011 Lease. One (1) airline, Mexicana Airlines, ceased operations, filed for bankruptcy, and 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-



San Francisco International Airport

March 29, 2013

Ms. Angela Calvillo, Clerk of the Board
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: Approval of Two New 2011 Lease and Use Agreements at San Francisco International Airport, between the City and County of San Francisco, acting by and through its Airport Commission, and China Eastern Airlines Corporation Limited and Scandinavian Airlines of North America, Inc., respectively

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval two (2) new 2011 Lease and Use Agreements (the "Leases"), to be effective upon full City approval, between the City and County of San Francisco, acting by and through its Airport Commission, and China Eastern Airlines Corporation Limited ("China Eastern") and Scandinavian Airlines of North America, Inc. (collectively, the "Airlines"), which grants operating rights for flight operations and terminal rental at San Francisco International Airport. The Leases were approved by the following Airport Commission Resolution:

1. China Eastern Airlines Corporation Limited Resolution No. 13-0065, adopted March 19, 2013;
2. Scandinavian Airlines of North America, Inc. Resolution No. 13-0066, adopted March 19, 2013.

The China Eastern Lease provides for terminal rental of approximately three hundred seventy nine (379) square feet of Exclusive Use Space. The Leases shall have a term of approximately eight (8) years and two (2) months, upon receipt of full approval of the Board of Supervisors.

The following is a list of accompanying documents (five sets):

- Board of Supervisors Resolution;
- Approved Airport Commission Resolutions No. 13-0065 and No. 13-0066;
- Commission Memorandum; and
- Four (4) Form SFEC-126: Notification of Contract Approval.

A sample of the form of the Lease may be provided via email. You may contact Cathy Widener, Governmental Affairs Manager, at (650) 821-5023 regarding this matter.

Very truly yours,

Jean Caramatti
Jean Caramatti
Commission Secretary

RECEIVED
BOARD OF SUPERVISORS
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Enclosures

cc: Cathy Widener

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

1551

190392

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, SF Board of Supervisors	City elective office(s) held: Members, SF Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: China Eastern Airlines Co., Ltd.	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
See attached	
Contractor address: 55 S. Lake Avenue, Suite 120, Pasadena, CA 91101	
Date that contract was approved:	Amount of contract:
Describe the nature of the contract that was approved: Scheduled passenger/cargo air transportation between Shanghi, China and SFO	
Comments: 2011 Lease and Use Agreement	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves San Francisco Board of Supervisors

Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board of Supervisors	Contact telephone number: (415) 554-5184
Address: 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102-4689	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

China Eastern Airlines Co., Ltd.
Attachment to Form SFEC-126

1. Board of Directors of China Eastern Airlines Co., Ltd:

Chairman of the Board of Directors: Liu Shaoyong
Vice Chairman: Ma Xulun
Director and President: Ma Xulun
Director: Xu Zhao, Gu Jiadan, Li Yangmin, Tang Bing, Luo Zhuping
Company Secretary: Wang Jian
Independent Non-executive Director: Sandy Ke-Yaw Liu
Independent Non-executive Director: Wu Xiaogen
Independent Non-executive Director: Ji Weidong
Independent Non-executive Director: Shao Ruiqing

2. Officers:

Chief Executive Officer: Xulun Ma
Chief Financial Officer: Yongliang Wu
Chief Operating Officer: Not applicable

3. Persons with an ownership of 20 percent or more in China Eastern Airlines Co., Ltd.:¹

CEA Holding, on behalf of the PRC government: 42.84%
HKSCC Nominees Ltd., as custodian of the Depository for American Depositary Shares: 30.85%

4. Subcontractors listed in the contract:

Not Applicable

5. Political committee(s) sponsored or controlled by China Eastern Airlines Co., Ltd.:

Not Applicable

¹ Ownership interests as of December 31, 2010 (date of China Eastern's most recent SEC filing).

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s):	City elective office(s) held:
Members, SF Board of Supervisors	Members, SF Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: Scandinavian Airlines of North America Inc. (SAS)	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Board of Directors: Mats Lonnkvist / Eivind Roald / Elisabeth Milton / Stefan Larsson Stefan Larsson (president of the Corporation) / James P. Brennan (Assistant Secretary/Director Finance) Contractor is wholly owned by Scandinavian Airlines System Denmark-Norway-Sweden	
Contractor address: 9 Polito Avenue Lyndhurst, New Jersey 07071	
Date that contract was approved:	Amount of contract: TBD each FY
Describe the nature of the contract that was approved: 2011 Airport/Airline Lease and Use Agreement	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves San Francisco Board of Supervisors

Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer:	Contact telephone number:
Angela Calvillo, Clerk of the Board of Supervisors	(415) 554-5184
Address:	E-mail:
1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102-4689	Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed