

San Francisco International Airport

MEMORANDUM

January 17, 2017

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

FROM: Airport Director

SUBJECT: Rescission of Airport Commission Resolution No. 16-0240, which Approved Modification No. 1 to Lease L13-0071 with American Airlines, Inc. for the Recapture of Land at Plot 40, and Approval of Modification No. 2 for the Recapture of Land at Plot 40

DIRECTOR'S RECOMMENDATION: RESCIND AIRPORT COMMISSION RESOLUTION NO. 16-0240, WHICH APPROVED MODIFICATION NO. 1 TO AMERICAN AIRLINES, INC.'S SUPERBAY HANGAR LEASE L13-0071 AT PLOT 40, AND APPROVE MODIFICATION NO. 2 FOR THE RECAPTURE OF CERTAIN LAND AT PLOT 40 TO ACCOMMODATE THE DEMAND FOR THE AIRPORT'S CONSTRUCTION CONTRACTORS' PARKING.

Executive Summary

On September 6, 2016, the Airport Commission (the "Commission") adopted Resolution No. 16-0240 (the "Resolution"), which approved Modification No. 1 to the SuperBay Hangar Lease L13-0071 (the "Lease") with American Airlines, Inc. ("American"). Modification No. 1 would have modified the premises by recapturing approximately 1.69 acres of land at Plot 40. Due to the presence of existing equipment, which would require relocation, the original recapture was deemed unfeasible. A revised recapture parcel, comprised of approximately 1.19 acres at Plot 40, has been identified and staff is now seeking Commission approval to rescind the Resolution, and approve Modification No. 2 to accomplish the recapture of land to accommodate the demand for the Airport's construction contractor's parking.

Background

The City and County of San Francisco owns that certain real property at the Airport located at 1060 North Access Road, San Francisco, California, on Plot 40 (the "SuperBay"). The Airport and American are parties to the Lease authorized by Airport Commission Resolution No. 13-0071, dated April 2, 2013, and Board of Supervisors Resolution No. 370-13, dated November 1, 2013, for a

THIS PRINT COVERS CALENDAR ITEM NO. 10

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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MAYORLARRY MAZZOLA  
PRESIDENTLINDA S. CRAYTON  
VICE PRESIDENT

ELEANOR JOHNS

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IVAR C. SATERO  
AIRPORT DIRECTOR

portion of the SuperBay, which American uses for aircraft maintenance, aircraft parking, and employee parking.

Pursuant to the Lease, American occupies the southeastern half of the SuperBay and appurtenant land at Plot 40 (the "Premises") comprised of approximately:

- 127,900 square feet of first floor hangar space; and
- 38,900 square feet of upper floor hangar space; and
- 11,500 square feet of general service equipment maintenance shop space; and
- 17.4 acres of appurtenant land for aircraft parking and movement; and
- 6.18 acres of appurtenant land for employee vehicle parking.

American also utilizes an aircraft and equipment wash rack area, situated on approximately 1.5 acres of land, on a non-exclusive basis.

The Lease has a term of three years, with two one-year options to extend the term. The first option was exercised and the option term will expire on October 31, 2017. The current rent is \$4,742,383.67 per year.

The Resolution approved a recapture of approximately 1.69 acres of land currently used for American's employee parking, which, due to the presence of high mast lighting that required relocation, was deemed unfeasible. A revised recapture parcel, comprised of approximately 1.19 acres has been identified and staff is now seeking its recapture pursuant to Modification No. 2.

### Proposal

The Airport proposes a recapture of approximately 1.19 acres of land at Plot 40 currently used by American for its employee parking to accommodate future demand for construction contractors' parking related to the Airport Capital Improvement Plan. Rent will be reduced by \$120,470.88, from \$4,742,383.67 to 4,621,912.79 per year, to reflect the reduction of the Premises. American is amenable to the proposed modification.

Staff has negotiated and is seeking approval of Modification No. 2 to the Lease, which includes the following business terms:

1. **Effective Date:** The first day of the month following full City approval.
2. **Premises:** The modified Premises shall be comprised of approximately:
  - 127,900 square feet of first floor hangar space; and
  - 38,900 square feet of upper floor hangar space; and
  - 11,500 square feet of general service equipment maintenance shop space; and
  - 17.4 acres of appurtenant land for aircraft parking and movement; and
  - 4.99 acres of appurtenant land for employee vehicle parking.
3. **Non-Exclusive Space:** Use of an aircraft and equipment wash rack area situated on approximately 1.5 acres of land.

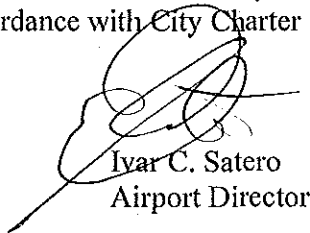
4. **Annual Rent:** Four Million Six Hundred Twenty-One Thousand Nine Hundred Twelve Dollars and Seventy-Nine Cents (\$4,621,912.79).

All other terms and conditions of the Lease will remain in full force and effect.

Besides American, the other tenant at Plot 40 is United Airlines. A related modification of United's Lease L04-0058 is concurrently presented to this Commission for the recapture of approximately 1.48 acres of land at Plot 40 in exchange for approximately 1.26 acres of land also on Plot 40. In utilizing the recaptured land from American and United to accommodate construction contractors' parking needs, the Airport will save an estimated \$1,039,090.00 annually, which otherwise would have been included in the cost of parking for the trades.

#### Recommendation

I recommend that this Commission adopts the attached resolution rescinding Commission Resolution No. 16-0240, which approved Modification No. 1 to Lease L13-0071 with American Airlines, Inc.; and approving Modification No. 2 to the Lease, which modifies the Premises by reducing the employee parking area to approximately 4.99 acres of land at Plot 40, and adjusts the annual rent to \$4,621,912.79 ("Modification No. 2") effective the first day of the month following full City approval. I further recommend directing the Commission Secretary to forward Modification No. 2 to the Board of Supervisors for approval in accordance with City Charter Section 9.118.



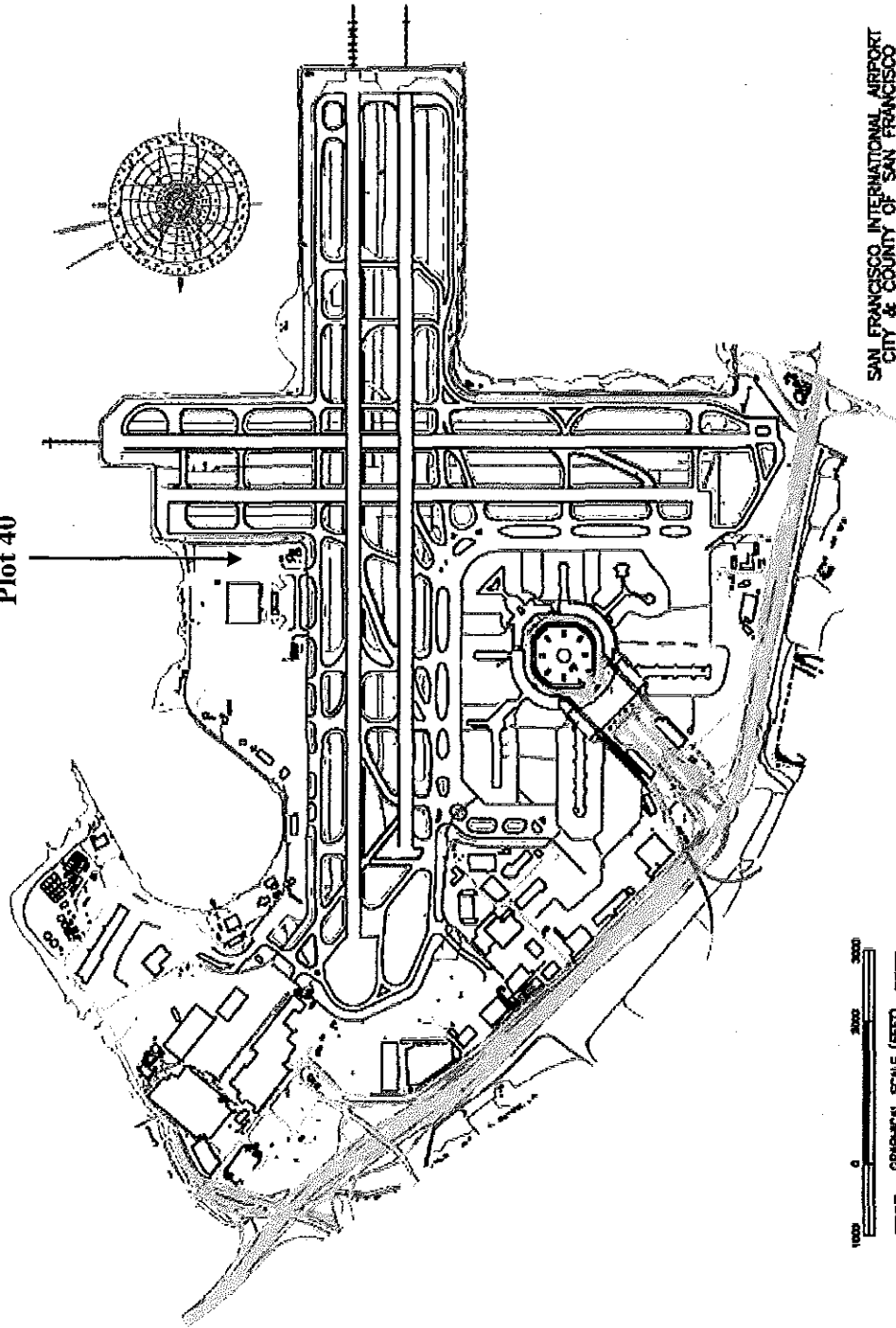
Ivar C. Satero  
Airport Director

Prepared by: Leo Fermin  
Chief Business and Finance Officer

Attachments

Attachment 1 - Premises

Plot 40



1000 0 3000 3000  
GRAPHICAL SCALE (FEET)  
Prepared by: Facilities  
Ernie Covie - Deputy Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT  
CITY & COUNTY OF SAN FRANCISCO  
AIRPORT COMMISSION  
John L. Martin - Airport Director  
March 2007

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0011

**RESCISSION OF AIRPORT COMMISSION RESOLUTION NO. 16-0240, WHICH APPROVED MODIFICATION NO. 1 TO LEASE L13-0071 WITH AMERICAN AIRLINES, INC. FOR THE RECAPTURE OF LAND AT PLOT 40, AND APPROVAL OF MODIFICATION NO. 2 FOR THE RECAPTURE OF LAND ON PLOT 40**

WHEREAS, the San Francisco International Airport (the "Airport") and American Airlines, Inc. ("American") are parties to Lease L13-0071, pursuant to Airport Commission ("Commission") Resolution No. 13-0071, dated April 2, 2013, and Board of Supervisors Resolution No. 370-13, dated November 1, 2013 (the "Lease"); and

WHEREAS, pursuant to the Lease, American occupies approximately 127,900 square feet of first floor hangar space, approximately 38,900 square feet of upper floor hangar space, approximately 11,500 square feet of ground service equipment maintenance shop space, approximately 17.4 acres of land for aircraft parking, and approximately 6.18 acres of land for employee parking (the "Premises"); and

WHEREAS, the Lease has a current rent of \$4,742,383.67 per year and a term of three years with two one-year options, the first of which expires on October 31, 2017; and

WHEREAS, pursuant to Resolution No. 16-0240, the Commission approved Modification No. 1 to the Lease for the recapture of approximately 1.69 acres of land used for American's employee parking on Plot 40, which, due to a change in circumstances, has been deemed unfeasible; and

WHEREAS, the Airport now wishes to recapture approximately 1.19 acres of land in American's employee parking lot, in order to accommodate future demand for construction contractors' parking related to the Airport's Capital Improvement Plan, resulting in a reduction in rent of \$120,470.88 per year; and

WHEREAS, together with the recapture of approximately 1.48 acres of land in exchange for approximately 1.26 acres, all of which is at Plot 40, pursuant to Modification No. 2 of United Airlines' SuperBay Lease (L04-0058), the Airport will see a cost savings of \$1,039,090.00 in contractor parking costs; and

WHEREAS, the Airport and American have negotiated the terms and conditions of a rescission of Modification No. 1 and a subsequent modification to the Lease, which: 1) reduces that certain portion of the Premises used for employee parking by approximately 1.19 acres, from approximately 6.18 acres to approximately 4.99 acres, and 2) adjusts the annual rent by \$120,470.88, from \$4,742,383.67 to \$4,621,912.79 to reflect the reduction of the Premises ("Modification No. 2"), all as more fully set forth in the

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0011

Director's Memorandum, to be effective on the first day of the month following full City approval; now, therefore, be it.

RESOLVED, that the Commission hereby rescinds Resolution No. 16-0240 adopted on September 6, 2016, which approved Modification No. 1 to the Lease; and be it further

RESOLVED, that the Commission hereby approves and authorizes the Airport Director to execute Modification No. 2 to the Lease; and, be it further

RESOLVED, that the Commission hereby directs the Commission Secretary to forward Modification No. 2 to the Board of Supervisors for approval pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

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

*at its meeting of* \_\_\_\_\_

**JAN 17 2017**

  
\_\_\_\_\_  
Secretary