



MEMORANDUM

June 19, 2018

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: Authorization to Enter into a Contribution Agreement with, and to Accept a \$6,250,000 Contribution from, United Airlines, Inc., for the 400 Hertz Ground Power Converter Units and Preconditioned Air Units System Installation Project at Plots 40 and 41

DIRECTOR'S RECOMMENDATION: AUTHORIZE THE AIRPORT TO ENTER INTO A CONTRIBUTION AGREEMENT WITH, AND TO ACCEPT A \$6,250,000 CONTRIBUTION FROM, UNITED AIRLINES, INC., FOR THE 400 HERTZ GROUND POWER CONVERTER UNITS AND PRECONDITIONED AIR UNITS SYSTEM INSTALLATION PROJECT AT PLOTS 40 AND 41.

Executive Summary

The attached Resolution authorizes the Airport Director to enter into a Contribution Agreement ("Agreement") with, and to accept a \$6,250,000 contribution from, United Airlines, Inc. ("United") related to the 400 Hertz Ground Power Converter Units and Preconditioned Air Units System Installation Project ("Project") at Plots 40 and 41 at San Francisco International Airport ("Airport"). The completion of this Project will result in significant air quality emission reductions, greenhouse gas savings, and operational cost savings.

Background

The Airport intends to implement the Project consisting of the design, purchase, construction, and installation of 400 Hertz ground power converter units ("Ground Power Units") and preconditioned air units ("PCA Units"), together with related infrastructure improvements, on ten locations at Plots 40 and 41 at the Airport. Four of the locations included in the Project are at the SuperBay Hangar at Plot 40, leased by United pursuant to Lease L04-0058 dated June 1, 2004. The remaining six locations are at Plot 41.

THIS PRINT COVERS CALENDAR ITEM NO. 7

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

MARK FARRELL MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN IVAR C. SATERO AIRPORT DIRECTOR

United has agreed to contribute \$6,250,000 towards the Project cost, which is estimated to be \$25,000,000. The Project is also partially funded by a Voluntary Airport Low Emission ("VALE") Program grant under the Federal Aviation Administration Airport Improvement Program. The balance will be funded by the Airport. A summary of the Project funding is as follows:

| | |
|------------------------------------|--------------------|
| United Contribution | \$6,250,000 |
| VALE Grant Funds | \$10,577,500 |
| Airport Funds | \$8,172,500 |
| <hr/> Total Estimated Project Cost | <hr/> \$25,000,000 |

As required by the VALE grant, the Airport will retain ownership of the ten Ground Power Units, ten PCA Units, and related infrastructure.

The Airport wishes to enter into an Agreement with United to accept United's contribution of \$6,250,000 and to specify the parties' roles and responsibilities related to the Project to ensure the VALE grant terms and conditions are met. The term of the Agreement will expire on the earlier of: (a) the end date of the twenty-year useful life of the Ground Power Units and PCA Units, (b) the termination of United's current or any successor lease at the SuperBay Hangar, or (c) cancellation of the Project. In the event of cancellation of the Project by the Airport, the Airport would refund United's contribution in full.

Recommendation

I recommend that this Commission adopt the attached Resolution authorizing the Airport Director to execute the Contribution Agreement with, and to accept a \$6,250,000 contribution from United Airlines, Inc., for the 400 Hertz Ground Power Converter Units and Preconditioned Air Units System Installation Project at Plots 40 and 41. I further recommend directing the Commission Secretary to forward the Contribution Agreement 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

Attachment