

1 [Airport Lease Modification - Virgin America, Inc. - Early Termination of Virgin America, Inc.]

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3 **Resolution approving Modification No. 1 of the Virgin America, Inc. 2011 Lease and Use**
4 **Agreement No. L10-0098, between Virgin America, Inc. and the City and County of San**
5 **Francisco, acting by and through its Airport Commission, which grants early**
6 **termination of the Lease Agreement due to the merger with Alaska Airlines, Inc., to**
7 **commence on the first day of the month following approval of the Board of Supervisors.**
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9 WHEREAS, Pursuant to Airport Commission Resolution No. 10-0098, dated March 16,
10 2010, and Board of Supervisors Resolution No. 208-10, dated May 11, 2010, Virgin America,
11 Inc. ("Virgin") became a signatory to the 2011 Lease and Use Agreement No. L10-0098 (the
12 "Virgin Lease") effective July 1, 2011, whereby Virgin commenced a lease agreement with the
13 City for a term of ten years with landing rights and the rental of certain Exclusive Use Space
14 and Joint Use Space located in Terminal 2 at the San Francisco International Airport
15 ("Airport"); and

16 WHEREAS, Pursuant to Commission Resolution No. 10-0274, dated August 17, 2010,
17 and Board of Supervisors Resolution No. 505-10, dated November 5, 2010, Alaska Airlines,
18 Inc. ("Alaska") became a signatory to the 2011 Lease and Use Agreement No. L10-0274 (the
19 "Alaska Lease") whereby Alaska entered into a lease agreement with the City for a term of ten
20 years for landing rights and the rental of certain Exclusive Use Space and Joint Use Space,
21 currently in Terminal 2 and the International Terminal at the Airport; and

22 WHEREAS, Both lease agreements expire on June 30, 2021; and

23 WHEREAS, Virgin occupies approximately 9,232 square feet of Exclusive Use Space
24 and approximately 91,963 square feet of Joint Use Space in Terminal 2 under the Virgin
25 Lease; and

1 WHEREAS, Virgin also occupies approximately 3,464 square feet of Exclusive Use
2 Space in Terminal 2 under Airline Terminal Space and Use Permit No. P4265 (the “Virgin
3 Permit”); and

4 WHEREAS, The Virgin Lease has a remaining term of approximately one year and ten
5 months and, in FY2018-2019, generated an annual rent of \$6,982,362.72 for the Exclusive
6 Use Space and Joint Use Space; and

7 WHEREAS, On March 30, 2018, Alaska formally notified the Airport of its plan to
8 acquire and merge with Virgin (the “Merger”); and

9 WHEREAS, On January 11, 2018, the Federal Aviation Administration issued a single
10 operating certificate for Alaska and Virgin and, on April 26, 2018, Alaska and Virgin
11 consolidated their respective passenger check-in functions in Terminal 2 and ceased all flights
12 nationwide under the Virgin brand; and

13 WHEREAS, On July 20, 2018, Alaska and Virgin finalized the Merger, with Alaska
14 becoming the successor company by merger with Virgin; and

15 WHEREAS, In connection with the Merger, Alaska is seeking approval of Modification
16 No. 1 to the Virgin Lease, which grants an early termination of the Virgin Lease in its entirety
17 (the “Virgin Modification”); and

18 WHEREAS, Pursuant to the proposed Virgin Modification, Virgin will relinquish all
19 Exclusive Use Space and Joint Use Space under the Virgin Lease, and the Virgin Lease will
20 be terminated in its entirety; and

21 WHEREAS, The aforementioned terminal space occupied under the Virgin Lease and
22 the Virgin Permit will be incorporated into the demised premises under the Alaska Lease
23 pursuant to Modification No. 1 to the Alaska Lease (the “Alaska Modification”), conditioned
24 upon concurrent approval by the Board of Supervisors of the Alaska Modification; and
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1 WHEREAS, A copy of Modification No. 1 to the Virgin Lease is on file with the Clerk of
2 the Board of Supervisors in File No. 191048, which is hereby declared to be a part of this
3 Resolution as is set forth fully herein; now, therefore, be it

4 RESOLVED, That this Board of Supervisors hereby approves Modification No. 1 to the
5 Virgin America 2011 Lease and Use Agreement L10-0098 to grant early termination of the
6 Lease Agreement; and, be it

7 FURTHER RESOLVED, That within 30 days of Modification No. 1 being fully executed
8 by all parties, the Airport Commission shall provide a copy of Modification No. 1 to the Virgin
9 America 2011 Lease and Use Agreement L10-0098 to the Clerk of the Board for inclusion into
10 the official file.