




CITY COUNCIL ACTION REQUEST

Department(s): Airport	CEQA: Not a Project, File No. PP17-003, Agreements/Contracts resulting in no physical changes to the environment	Coordination: CMO, CAO, and CMO Budget Office	Dept. Approval: /s/ John Aitken
Council District(s): City-Wide			CMO Approval:  2/1/19

SUBJECT: FIFTH AMENDMENT TO LSG SKY CHEF MASTER LEASE

RECOMMENDATION:

Adopt a resolution authorizing the Director of Aviation to negotiate and execute the Fifth Amendment to the Lease of Airport Premises for in-flight catering services with LSG Sky Chefs, Inc. for a five-year extension through February 14, 2024, subject to early termination by the City with a one year notice.

BASIS FOR RECOMMENDATION:

On May 9, 1995, the City entered into a Lease of Airport Premises (the "Lease") with Caterair International Corporation under which Caterair constructed and provided in-flight catering services at the Airport. On April 16, 1996, Caterair International Corporation subleased to Caterair International all premises pursuant to the Lease. On May 28, 1998 Caterair International Corporation assigned all of its rights, title and interest to LSG Sky Chef (Tenant). On January 11, 2008, City and Tenant entered into a First Amendment to the Master Lease to reduce gross receipts payable for off-Airport, non-airline catering. On January 8, 2016, the Second Amendment, among other things, extended the term of the Lease through February 14, 2017, and provided that City and Tenant, upon mutual agreement, may further extend the term of the Master Lease for up to two (2) additional one (1) year Extension Periods; and on February 15, 2017, City and Tenant entered into a Third Amendment to the Lease to exercise the first one (1) year Extension Period. On April 4, 2018, City and Tenant entered into the Fourth Amendment to the Master Lease to exercise the second one (1) year Extension Period through February 14, 2019.

During the term of the recommended five-year extension, the Airport staff will make an assessment to determine whether the Airport will need the leased premises for further expansion. In the interim, it is in the best interest of the City to have Sky Chef continue to occupy its building to facilitate in-flight catering services to the airlines at the Airport. If Sky Chef were to vacate the premises prior to the time that the City needs the premises for other Airport purposes, the Airport would have a 36,000-square foot building available for lease for a short period of time. It is unlikely that the building could be leased for only a twelve-month period. Sky Chef currently uses an autoclave to sterilize all international trash for the Airport, which is a regulation of the United States Department of Agriculture. The City would also need to secure alternative autoclave services for the Airport in the event that Sky Chef vacates the current facility.

Desired Outcome: Will provide for Sky Chef's continued operations at the Airport, while also providing the City flexibility to retake possession of the leased premises, with notice to Sky Chef in the event that the City needs it for Airport purposes.

COST AND FUNDING SOURCE:

No cost associated with this action and revenue for the five-year extension is estimated at \$11,000,000.

FOR QUESTIONS CONTACT: Kim Hawk, Deputy Director of Finance, (408) 392-1141