



AGENDA REPORT

PROPOSED ACTION:

Ordinance: Approve and Authorize the Executive Director to Execute the Fifth Amendment to Lease with Avis Budget Car Rental, LLC and the Fifth Amendment to Lease with DTG Operations, Inc. for Use of Property at the North Field of Oakland International Airport with Anticipated Total Revenues of \$1,078,476 in Fiscal Year 2023. (Aviation)

Submitted By: Bryant Francis, Director of Aviation; Danny Wan, Executive Director

Parties Involved:

Avis Budget Car Rental, LLC; Anne Morrison, VP of Properties and Facilities; Delaware

DTG Operations, Inc.; Connie Gurich, Director of Properties; Oklahoma

Amount: Fixed Total Combined Annual Revenue of \$1,078,476 in FY2023

EXECUTIVE SUMMARY:

The existing leases with Avis Budget Car Rental, LLC (“Avis”) and with DTG Operations, Inc. (“DTG”) for their existing respective “Quick Turn Around” facilities located in the North Field at Oakland International Airport (“OAK”) will expire on June 30, 2022. Aviation Staff has reviewed each tenant’s operations and determined that it is in the best interest of the traveling public and the Port to extend the Terms of these leases another year while the Port evaluates and plans for the long-term disposition of the various QTA premises at OAK. Staff is proposing to approve these Term extensions of the current leases with Avis and DTG through June 30, 2023.

BACKGROUND & ANALYSIS

Currently:

- Avis occupies 199,679 square feet of land located at Wright Street and Earhart Road, North Field, under a *Lease* dated November 1, 2006, as amended by the *First Amendment to Lease* dated November 1, 2016; *Amendment No. 2 to Lease* dated April 1, 2020; *Amendment No. 3 to Lease* dated November 1, 2020; and, *Amendment No. 4 to Lease* dated July 1, 2021 (collectively, the “Avis QTA Lease”).
- DTG occupies 149,317 square feet of land located at Wright Street and Earhart Road, North Field, under a *Lease* dated July 5, 2000, as amended by the *First Supplemental Agreement to Lease* dated January 23, 2001; *Amendment No. 2 to Lease* dated April 1, 2020; *Amendment No. 3 to Lease* dated November 1, 2020; and, *Amendment No. 4 to Lease* dated July 1, 2021 (collectively, the “DTG QTA Lease”).

The *Avis QTA Lease* and the *DTG QTA Lease* both provide for operation of the Lessees' respective "Quick Turn Around" ("QTA") facilities which support their On-Airport Rental Car Concessions at OAK's consolidated Rental Car Center (the "RAC"). Avis' and DTG's occupancy of space at the RAC is through separate *Space/Use Permits* ("SUPs") with the Port; both SUPs are dated September 1, 2017, currently expire on June 30, 2022, and are anticipated to be further extended for an additional 5 years from July 1, 2022 through June 30, 2027 under the terms of the SUPs. The *Avis QTA Lease* and the *DTG QTA Lease* are both currently scheduled to expire on June 30, 2022.

The *Avis QTA Lease* rental rate was last adjusted to Fair Market Rental Value in 2011 and was last adjusted for changes in the Consumer Price Index in July 2021. The current monthly rent paid to the Port under the *Avis QTA Lease* is \$57,707 (28.9¢ per sf) and total revenue to be collected in FY2022 is \$692,487.

The *DTG QTA Lease* rental rate was last adjusted to Fair Market Rental Value in 2001 and was last adjusted for changes in the Consumer Price Index in July 2021. The current monthly rent paid to the Port under the *DTG QTA Lease* is \$26,578 (17.8¢ per sf) and the total revenue to be collected in FY2022 is \$318,941.



Over the past two years, the US rental car industry has experienced a severe decline in business activity resulting from the COVID-19 pandemic. To preserve the On-Airport Rental Car Companies' continued operations at OAK through the crisis, in July 2020, the Board provided these four rental car companies with rental relief – for their operations at the RAC under their respective SUPs – in the form a waiver of their minimum monthly guaranteed concession fee ("MAG") through June 30, 2022. They remain obligated to continue payment of the contractually obligated percentage of gross receipts. No rental abatement was provided for the QTAs.

As passenger traffic continues to rebound and customers return to the RAC, Staff is recommending the proposed amendments to the *Avis QTA Lease* and the *DTG QTA Lease* that would extend the term for an additional twelve (12) months through June 30, 2023, upon the same terms and conditions except with an increase to the

monthly rental rate for Avis Budget of \$61,502 and for DTG of \$28,371. The 12-month extension will allow the Port to evaluate and plan for the long-term disposition of the various QTA premises at OAK.

OTHER FINDINGS AND PROVISIONS

<p><u>ENVIRONMENTAL REVIEW</u></p> <p>The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:</p> <p><input type="checkbox"/> Categorically exempt under the following CEQA Guidelines Section: <u>Choose an item.</u></p> <p><input checked="" type="checkbox"/> Exempt from CEQA because it is not a “Project” under CEQA Guidelines Section 15061(b)(3).</p> <p><input type="checkbox"/> Other/Notes:</p>	
<p><u>BUDGET</u></p> <p><input type="checkbox"/> Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR <input checked="" type="checkbox"/> Operating <input type="checkbox"/> Non-Operating <input type="checkbox"/> Capital</p> <p><u>Analysis:</u> There is a positive impact of \$16,477 to the FY2023 Budget resulting from this action. Revenues of \$727,111 for Avis and \$334,888 for DTG are included in the proposed FY2023 Aviation Revenue Budget.</p>	
<p><u>STAFFING</u></p> <p><input checked="" type="checkbox"/> No Anticipated Staffing Impact.</p> <p><input type="checkbox"/> Anticipated Change to Budgeted Headcount. <u>Reason:</u></p> <p><input type="checkbox"/> Other Anticipated Staffing Impact (e.g., Temp Help). <u>Reason:</u></p>	
<p><u>MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):</u></p> <p><u>Applies?</u> No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port’s Capital Improvement Program in Aviation or Maritime areas above the threshold cost.</p> <p><input type="checkbox"/> <u>Additional Notes:</u></p>	<p><u>LIVING WAGE</u> (City Charter § 728):</p> <p><u>Applies?</u></p> <p>Yes (Tenant) – proposed action entails at least \$50,000 in payments from a Maritime or Aviation tenant, licensee, and/or its subtenant/sublicensee employing at least 21 employees who spend at least 25% of their time on Port-related work.</p> <p><input type="checkbox"/> <u>Additional Notes:</u></p>
<p><u>SUSTAINABLE OPPORTUNITIES:</u></p>	<p><u>GENERAL PLAN</u> (City Charter § 727):</p>

<p><u>Applies?</u> No.</p> <p><u>Reason:</u> No proposed development for the leased area.</p>	<p><u>Conformity Determination:</u></p> <p>No Project – conformity determination not required because proposed action does not change use of or make alterations to an existing facility, or create a new facility.</p>								
<p><u>STRATEGIC PLAN.</u> The proposed action would help the Port achieve the following goal(s) and objective(s) in the Port’s Strategic Business Plan:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Grow Net Revenues</td> <td><input type="checkbox"/> Modernize and Maintain Infrastructure</td> </tr> <tr> <td><input checked="" type="checkbox"/> Improve Customer Service</td> <td><input type="checkbox"/> Pursue Employee Excellence</td> </tr> <tr> <td><input type="checkbox"/> Strengthen Safety and Security</td> <td><input type="checkbox"/> Serve Our Community</td> </tr> <tr> <td><input type="checkbox"/> Care for Our Environment</td> <td></td> </tr> </table>		<input checked="" type="checkbox"/> Grow Net Revenues	<input type="checkbox"/> Modernize and Maintain Infrastructure	<input checked="" type="checkbox"/> Improve Customer Service	<input type="checkbox"/> Pursue Employee Excellence	<input type="checkbox"/> Strengthen Safety and Security	<input type="checkbox"/> Serve Our Community	<input type="checkbox"/> Care for Our Environment	
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