

AGENDA REPORT

Ordinance: Approve and Authorize Executive Director to Execute a *Second Supplement to License and Concession Agreement* with SFO Hotel Shuttle, Inc. for 51,770 Square Feet of Improved Real Property at the Southwest Corner Of Earhart Road and Fairchild Street at the North Field of Oakland International Airport, for an Initial Term of 4 Years at a Rental of \$17,084 Per Month plus Two 5-Year Options. **(Aviation)**

MEETING DATE: 11/30/2017

AMOUNT: \$844,900 Four-Year Rental Revenue

PARTIES INVOLVED: **SFO Hotel Shuttle, Inc.**, San Francisco, California
Erik W. Zandhuis, President and CEO

SUBMITTED BY: Bryant L. Francis C.M., Director of Aviation

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

This action (i) would adopt an Ordinance for a *Second Supplement to License and Concession Agreement* amending the *License and Concession Agreement* with SFO Hotel Shuttle, Inc.; and (ii) authorize the Executive Director to execute the *Second Supplement*, and such additional documents necessary to effectuate the requested approvals.

BACKGROUND

In September 2007, the Port entered into a *License and Concession Agreement (LCE)* with San Francisco Parking, Inc. (SF Parking) for the operation, administration and storage of rental car shuttle buses at the North Field of Oakland International Airport (OAK). At its meeting on March 28, 2013, the Board adopted Ordinance No. 4228 to extend multiple agreements with over 40 Airport tenants (including SF Parking) through June 30, 2018. A *Letter Amendment* dated July 12, 2013 was executed with SF Parking, extending the *LCE* to June 30, 2018.

On June 9, 2016, the Board approved Resolution No. 16-62 for the *Consent to Assignment of License and Concession Agreement* from SF Parking to SFO Hotel Shuttle, Inc. (Shuttle).

The *LCE* and the *Letter Amendment* have no provisions for additional extensions beyond June 30, 2018. Shuttle has provided a written request to continue its current occupancy and related rental car shuttle operations at the Premises (as described herein), with a commitment

to extend the term of the *LCE* for an initial four-year period, with options to extend for two additional five-year periods.

In return, Shuttle will contribute a capital investment consisting of purchasing and installing a compactor unit for trash, and a compactor unit for recycled materials, along with a number of collection bins. The trash and recycled materials are generated by the activities at the nearby Consolidated Rental Car Center and at the Premises occupied and operated by Shuttle.

The capital investment by Shuttle for the compactor units, the bins and related installation costs is estimated at \$100,000. The Board must provide its approval for the additional fixed and option terms, as requested, in order for this investment to be made.

ANALYSIS

Shuttle is a private company that is under contract with the on-airport rental car operators to provide shuttle bus operations between the Terminal Complex and the Consolidated Rental Car Center located on the North Field. Shuttle licenses the use of approximately 51,770 square feet of paved land located on Earhart Road, between Fairchild and Convair Streets. Shuttle uses the Premises for the storage of shuttle buses when the buses are not transporting passengers and customers between the Terminal Complex and the Consolidated Rental Car Center. The current rent is \$22,220 per month.



The proposed *Second Supplement to License and Concession Agreement (Second Supplement)* allows Shuttle's continued use of the Premises under the negotiated terms and conditions as follows:

Licensee: SFO Hotel Shuttle, Inc.

Premises: Approximately 51,770 square feet of paved real property fronting along the south side of Earhart Road, between Fairchild Street and the Convair Street, adjacent to the Compressed Natural Gas (CNG) fueling depot and across the street from the Consolidated Rental Car Center.

Use: Storage of shuttle buses for passengers in transit between the Consolidated Rental Car Center and the Terminal Complex.

Extended Term: The Initial Extended Term would be four years, commencing July 1, 2018, and expiring on June 30, 2022.

Options to Extend: At the expiration of the Initial Extended Term, Licensee shall have the option to extend the Initial Extended Term for no more than two additional five-year periods, subject to: (i) Licensee providing notice of its intent to exercise its option to extend within 90 days of expiration of the Initial Extended Term, (ii) Licensee not being in default of terms and conditions of the LCE, (iii) an appraisal of fair market rental value (FMRV) of the Premises (effective upon commencement of each subsequent Extended Term), and (iv) Port's written consent of Licensee's option to extend. Such consent shall not be unreasonably withheld, as long as Licensee is not in default of the terms and conditions of the LCE as amended.

Rent: Commencing July 1, 2018, the new rental rate for the Premises is 33¢ per square foot per month, or \$17,084.10 per month. The new rental rate for the Premises, differs from the current rental rate by over \$5,100 per month. The new rental rate is supported by a professional appraisal of Fair Market Rental Value (FMRV) for Port-owned real properties with similar uses, similar improvements, and supporting the operational and customer service functions at the Consolidated Rental Car Facility across the street. Staff recommends the new rental rate based upon the appraisal of FMRV for the Consolidated Rental Car Facility and, by extension, to the Premises. Shuttle has indicated that it is not willing to pay rental in excess of fair market and would investigate relocating off-Airport, which would be less efficient for its operations, leave the Premises vacant beginning in Summer 2018, and reduce Port revenue in excess of \$200,000 per year.

Rents shall be subject to annual adjustments (increases only) on each July 1st ("Rent Adjustment Date"), measured by changes in the Consumer Price Index (Urban Wage Earners and Clerical Workers, All Items in the San Francisco-Oakland-San Jose Metropolitan Area).

At the commencement of the 1st and 2nd Extended Term(s), the rent shall be established at FMRV. For each year of the Extended Term(s), the FMRV rent will adjust annually in accordance with changes in the Consumer Price Index.

Revenue Streams from SFO Hotel Shuttle during Initial Extended Term					
	FY18/19	FY19/20	FY20/21	FY21/22	4-year total
Rental Revenues	\$205,000.00	\$209,100.00	\$213,300.00	\$217,500.00	\$844,900.00

Assumptions:

- 1) Annual Rental Revenues for FY 2018/2019 are calculated at \$205,000.00
- 2) Rental rate is adjusted each July 1st, in accordance with the CPI (assumed at 2%)

**Performance
Deposit:**

The Performance Deposit is established at three-times the estimated monthly billings in effect at the conclusion of the four-year Initial Extended Term, or \$57,000.00 (rounded up to the nearest thousand dollars). The Performance Deposit requirement can be satisfied with a fixed amount for the entire Initial Extended Term, eliminating annual incremental increases that are costly to administer.

Utilities:

Licensee shall pay for all utility services and any other related services (garbage, janitorial, security, fire alarm, etc.) provided to the Premises, and to the Shuttle purchased compactor units, throughout the Initial Extended Term and subsequent 1st and 2nd Extended Term(s).

**Capital
Improvements:**

Licensee shall be responsible for purchasing and installing two compactors, one for trash, and one for recycled materials, and six collection bins. Licensee shall be responsible for positioning and installing the compactors, placing the collection bins and constructing the enclosure area for the compactors for the rental car operators, in addition to the operations of Shuttle. The Port shall have no investment responsibility for capital or Licensee improvements at or on the Premises.

**Licensee's
Improvements:**

Licensee owns and operates a 60 foot by 60 foot, modular office trailer for administrative and related office functions in support of the shuttle buses, and operations at the Consolidated Rental Car Facility.

**Maintenance
Responsibilities:**

Licensee shall be responsible for its existing and purchased Improvements, vehicles, alterations, along with all routine and non-routine maintenance, repair, replacements, and operation of its improvements (furnishings, fixtures and equipment) situated on the Premises.

Termination:

In the event that the rental car community elects to hire a different shuttle bus operator or if the rental car community and Port agree to relocate rental car operations to a new "on-airport" location prior to June 30, 2032 (the latest possible date if both five-year options are exercised) the *LCE* as amended will terminate.

BUDGET & STAFFING

There is no budget impact in FY2017/2018 resulting from the approval of the *Second Supplement* as the proposed extension, if adopted, will take effect in FY2018/2019 through FY2021/2022. There is no staffing impact resulting from the requested action.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

Approval of the *Second Supplement* does not fall within the scope of the Port of Oakland Maritime and Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Plan

(<http://www.portofoakland.com/pdf/about/strategicPlan2011-2015.pdf>)

Goal A: Create Sustainable Economic Growth for the Port and Beyond

- Goal A: Objective 1: Affirm Port identity as a public enterprise
- Goal A: Objective 2: Maximize the use of existing assets.

Goal B: Maintain and Aggressively Grow Core Businesses

- Goal B: Objective 1: Retain existing customers and tenants.
- Goal B: Objective 5: Enhance customer services (i.e., market intelligence, technical knowledge, strategic advice and problem solving).

LIVING WAGE

Living Wage Requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), apply to this agreement as the tenant employs 21 or more employees working on Port-related work and the tenancy agreement is greater than \$50,000.

ENVIRONMENTAL

The *Second Supplement* is exempt from the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15061(b) (3) states that CEQA applies only to activities that have a potential for causing a significant effect on the environment. Approving the *Second Supplement* will not result in a physical change in the environment, and therefore is not subject to CEQA and no further environmental review is required.

GENERAL PLAN

This action does not change the use of the existing leased property, alter an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

This action is not subject to the Port's Owner Controlled Insurance Program (OCIP) as it is not a capital improvement construction project.

OPTIONS

1. Approve the proposed *Second Supplement to License and Concession Agreement* as described in this Agenda Report, and authorize the Executive Director to execute the *Second Supplement* and such additional documents necessary to effect the approval. This is the recommended action;
2. Approve the *Second Supplement to License and Concession Agreement*, as outlined above, but subject to different terms and conditions than those described in this Agenda Report, which, depending on the nature of those changes, may require further negotiation; or
3. Do not approve the *Second Supplement to License and Concession Agreement* as outlined above. This is not the recommended action, which would jeopardize the continuation of shuttle bus operations in support of the nearby Rental Car Center, and cause the elimination of \$205,000 in annual rental revenues to the Airport.

RECOMMENDATION

Adopt an Ordinance:

- Approving the terms and conditions of the proposed *Second Supplement to License and Concession Agreement* with SFO Hotel Shuttle, Inc. to
 - Extend the term for an initial four-year period from July 1, 2018 through June 30, 2022, generating over \$844,000 in rental revenues; and,
 - Provide an option to further extend the term for two additional five-year terms; and,
- Authorizing the Executive Director to execute the *Second Supplement*, and such other additional documents as may be necessary to effectuate the approval;

Subject to the Port Attorney's approval as to form and legality.