

AGENDA REPORT

Ordinance: Approval of the *Third Amendment to Lease* with Avis Budget Car Rental, LLC and the *Third Amendment to Lease* with DTG Operations, Inc. for Use of Property at the North Field of Oakland International Airport with Anticipated Total Revenues of \$634,800 in Fiscal Year 2020-21. **(Aviation)**

MEETING DATE: 10/8/2020

AMOUNT: \$634,800 (FY2020-21) Revenue

PARTIES INVOLVED: **Avis Budget Car Rental, LLC**
Delaware
Lorie Tallarico, Director of Properties, WEA

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

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

APPROVED BY: Danny Wan, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

The requested action would adopt an Ordinance to (i) approve the *Third Amendment to Lease* with Avis Budget Car Rental, LLC and the *Third Amendment to Lease* with DTG Operations, Inc. for their existing respective “Quick Turn Around” facilities located in the North Field at Oakland International Airport, for an extended term to commence on November 1, 2020 and expire on June 30, 2021; and (ii) authorize the Executive Director to execute these amendments and any other documents required to effect the transaction detailed below.

BACKGROUND

Currently:

- Avis Budget Car Rental, LLC (formerly known as Avis Rent A Car System, LLC) (“Avis”) occupies 199,679 sf 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 and the *Amendment No. 2 to Lease* dated April 1, 2020.
- DTG Operations, Inc. (formerly known as Dollar Rent A Car System, Inc.) (“DTG”) occupies 149,317 sf of land located at Wright Street and Earhart Road, North Air Field,

under a *Lease* dated July 5, 2000, as amended by the *First Supplemental Agreement to Lease* dated January 23, 2001 and the *Amendment No. 2 to Lease* dated April 1, 2020.

The Avis and DTG *Leases* both provide for operation of the tenants' respective "Quick Turn Around" ("QTA") facilities which support their On-Airport Rental Car Concessions at Oakland International Airport ("OAK") through separate Space/Use Permits ("SUPs") with the Port; both SUPs are dated September 1, 2017 and currently expire on June 30, 2022. The *Avis QTA Lease* and the *DTG QTA Lease* are both currently scheduled to expire on October 31, 2020.

The Avis QTA Lease rate was last adjusted to Fair Market Value in 2011 and has escalated every 30 months since then, per the terms of the agreement. The current monthly rent paid to the Port under the *Avis QTA Lease* is \$54,713 (27.4¢ per sf) and total revenue collected in FY19-20 was \$656,556.

The DTG QTA Lease rate was last adjusted to Fair Market Value in 2001 and has escalated every 30 months since then, per the terms of the agreement. The current monthly rent paid to the Port under the *DTG QTA Lease* is \$24,637 (16.5¢ per sf) and the total revenue collected in FY19-20 was \$295,648.



ANALYSIS

Over the past six months 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, the Port has recently provided these tenants with rental relief in the form of three months of fixed rent payment deferrals until December 31, 2020 and waiver of their minimum monthly guaranteed concession fee through June 30, 2021. The On-Airport Rental Car Companies continue to pay the contractually obligated percentage of gross receipts.

The proposed Amendments to the *Avis QTA Lease* and the *DTG QTA Lease* will extend the term of these agreements for an additional eight (8) months to expire on June 30, 2021, upon the same terms and conditions and at no increase to the monthly rent. The short-term extension

will help better align the expiration date of these Leases with the majority of the other existing agreements for On-Airport Rental Car Operations at OAK that typically expire on June 30th. This will also allow for a more efficient process and more consistent agreement language in future anticipated occupancy extensions for all of the On-Airport Rental Car Companies agreements.

BUDGET & STAFFING

During the development of the FY2020-21 Operating Budget, revenues of \$197,096 (\$24,637 per month x 8 months) for DTG were not anticipated, resulting in \$197,096 of incremental revenue. There is no staffing impact.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters included in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation 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 Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

Goal: Grow Net Revenues

Goal: Improve Customer Service

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.

SUSTAINABILITY

The tenants have not proposed any development for the leased area. If the tenants decide to develop the site in the future, the tenant must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

CEQA Determination: This action, to adopt an ordinance to extend the *Avis QTA Lease* and the *DTG QTA Lease* for an additional eight (8) months with the same terms and conditions, was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The common sense exemption in Section 15061(b)(3) of the CEQA Guidelines states that CEQA applies only to activities that have a potential for causing a significant effect on the environment. It can be seen with certainty that there is no possibility that extending the lease will result in a physical change in the environment, and therefore this action is not subject to CEQA and no further environmental review is required.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to 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. Adopt an Ordinance that provides for the following:
 - a. Approve the terms and conditions of the *Third Amendment to Lease* with Avis Budget Car Rental, LLC, thereby permitting continued operations of their existing Quick Turn Around facility supporting On-Airport Car Rental concessions at OAK through June 30, 2021, and providing \$437,704 in anticipated revenue for FY20-21;
 - b. Approve the terms and conditions of the *Third Amendment to Lease* with DTG Operations, Inc., thereby permitting continued operations of their Quick Turn Around facility supporting On-Airport Car Rental concessions at OAK through June 30, 2021, and providing \$197,096 in unanticipated revenue for FY20-21; and,
 - c. Authorize the Executive Director's execution of the *Third Amendment to Lease* with Avis Budget Car Rental, LLC and the *Third Amendment to Lease* with DTG Operations, Inc.

This is the recommended action.
2. Do not approve the *Third Amendment to Lease* with Avis Budget Car Rental, LLC and the *Third Amendment to Lease* with DTG Operations, Inc., as outlined above, which would result in the termination of the tenants' operating privileges at OAK effective October 31, 2020 and the loss of \$437,704 in anticipated revenue and \$197,096 in unanticipated revenue for FY2020-21.
3. Do not approve the *Third Amendment to Lease* with Avis Budget Car Rental, LLC and the *Third Amendment to Lease* with DTG Operations, Inc., as outlined above and proposed by Port Staff, but recommend different terms and conditions and instruct Staff to negotiate with the tenants.

RECOMMENDATION

It is recommended the Board adopt an Ordinance:

- Approving the *Third Amendment to Lease* with Avis Budget Car Rental, LLC (f/d/a Avis Rent A Car System, LLC), extending the term through June 30, 2021, with anticipated total revenue to the Port in the amount of \$437,704, and;

- Approving the *Third Amendment to Lease* with DTG Operations, Inc. (f/k/a Dollar Rent A Car System, Inc.), extending the term through June 30, 2021, with unanticipated total revenue to the Port in the amount of \$197,096, and;
- Authorizing the Executive Director's execution of the *Third Amendment to Lease* with Avis Budget Car Rental, LLC and the *Third Amendment to Lease* with DTG Operations, Inc.

All subject to approval by the Port Attorney as to form and legality.

TERM SHEET FOR QTA LEASE AMENDMENT



Lessee:	Avis Budget Car Rental, LLC (f/k/a "Avis Rent A Car System, LLC"), a Delaware limited liability company
Lessor:	City of Oakland, a Municipal Corporation, acting by and through its Board of Port Commissioners
Premises:	199,679 sf of land located at Wright Street and Earhart Road, North Field at Oakland International Airport, Oakland, CA 94621
Permitted Use:	The Premises shall be used by Lessee as a "Quick Turn Around" ("QTA") facility to support its On-Airport Rental Car Concessions operations at OAK
Extension Term:	Eight (8) Months
Commencement Date:	November 1, 2020
Expiration Date:	June 30, 2021
Term Extension Options:	None
Consideration:	Monthly Rent = \$54,713 (fixed throughout the Term)
Performance Deposit:	\$153,000 (fixed throughout the term)

TERM SHEET FOR QTA LEASE AMENDMENT



Lessee:	DTG Operations, Inc. (f/k/a "Dollar Rent A Car System, Inc."), an Oklahoma corporation
Lessor:	City of Oakland, a Municipal Corporation, acting by and through its Board of Port Commissioners
Premises:	149,317 sf of land located at Wright Street and Earhart Road, North Field at Oakland International Airport, Oakland, CA 94621
Permitted Use:	The Premises shall be used by Lessee as a "Quick Turn Around" ("QTA") facility to support its On-Airport Rental Car Concessions operations at OAK
Extension Term:	Eight (8) Months
Commencement Date:	November 1, 2020
Expiration Date:	June 30, 2021
Term Extension Options:	None
Consideration:	Monthly Rent = \$24,637 (fixed throughout the Term)
Performance Deposit:	\$74,000 (fixed throughout the term)