

AIRPORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 21-0089

**APPROVAL OF AMENDMENT NO. 2 TO THE AIRPORT LUGGAGE CART LEASE  
AND OPERATING AGREEMENT NO. 19-0069 WITH SMARTE CARTE INC.**

- WHEREAS, on April 2, 2019, by Resolution No. 19-0069, the Commission awarded the Luggage Cart Lease and Operating Agreement (the Lease) to Smarte Carte Inc. (Tenant) to operate the luggage cart service at San Francisco International Airport (Airport) for a term of three years, expiring December 31, 2022, with one 3-year option; and
- WHEREAS, base rent is the greater of the Minimum Annual Guarantee of \$985,758.08 or 19% of Gross Revenues; and
- WHEREAS, Tenant currently charges an \$8.00 rental fee per luggage cart, except in the Federal Inspection Service (FIS) area where Tenant is required to provide a minimum of 2,000 luggage carts per year free of charge for use by arriving international passengers; and
- WHEREAS, for the FIS area, the Airport pays Tenant an Annual Service Fee currently calculated at the lower of \$1.47 per cart based on the passenger count utilizing the FIS area, or a maximum flat service fee of \$3,125,600.00 (Annual Service Fee); and
- WHEREAS, Airport operating revenue has been severely impacted due to the reduction in travel caused by the COVID-19 pandemic; and
- WHEREAS, on October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 1 to the Lease; and
- WHEREAS, to reduce spending and generate additional revenues for the Airport, Staff recommends changing the required services by suspending the provision of free carts in the FIS area and the payment of the Annual Service Fee to Tenant; and
- WHEREAS, luggage cart rental rate in the FIS area will be at the same rate as the other terminals; and
- WHEREAS, the base rent structure specified in the Lease will not change and revenues from cart rentals in the FIS area will be included in the calculation of gross revenue for purposes of calculating base rent; and
- WHEREAS, the base term will expire on December 31, 2022, and Staff recommends exercising the one 3-year option for a new expiration date of December 31, 2025; now, therefore, be it





**MEMORANDUM**

March 16, 2021

TO: AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Eleanor Johns, Vice President  
Hon. Richard J. Guggenhime  
Hon. Everett A. Hewlett, Jr.  
Hon. Malcolm Yeung

21-0089

MAR 16 2021

FROM: Airport Director

SUBJECT: Approval of Amendment No. 2 to the Airport Luggage Cart Lease and Operating Agreement No. 19-0069 with Smarte Carte Inc.

DIRECTOR’S RECOMMENDATION: (1) APPROVE AMENDMENT NO. 2 TO THE AIRPORT LUGGAGE CART LEASE AND OPERATING AGREEMENT NO. 19-0069 WITH SMARTE CARTE INC., CHANGING THE LUGGAGE CARTS SERVICE IN THE FEDERAL INSPECTION SERVICE AREA FROM A FREE SERVICE TO A PAID SERVICE, AND EXERCISING THE ONE 3-YEAR OPTION, AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE AMENDMENT BY THE BOARD OF SUPERVISORS.

**Executive Summary**

Smarte Carte Inc. (Smarte Carte or Tenant) currently operates the luggage cart service at San Francisco International Airport (Airport) under the Airport Luggage Cart Lease and Operating Agreement No. 19-0069 (the Lease).

Airport operating revenues has been severely impacted due to the reduction in travel caused by the COVID-19 pandemic. To reduce spending and generate additional revenues to the Airport, Staff requests the Airport Commission (Commission) approve an amendment to the Lease, which changes the luggage cart service in the Federal Inspection Service (FIS) area from a free service to a paid service.

**Background**

On April 2, 2019, by Resolution No. 19-0069, the Commission awarded the Lease to Tenant with an initial term of three years with one 3-year option to extend the term exercisable at Commission’s discretion. The base term commenced on January 1, 2020 and will expire on December 31, 2022. One 3-year option period is available.

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Tenant provides luggage carts in both Domestic and International Terminals of the Airport. The Base Rent structure is the greater of the Minimum Annual Guarantee, currently \$985,758.08, or 19% of Gross Revenues. Tenant currently charges an \$8.00 rental fee per luggage cart.

As part of the required services under the Lease, Tenant provides no less than 2,000 luggage carts in the FIS area, on an annual basis, free of charge for use by arriving international passengers. As compensation, the Airport pays Smarte Carte an Annual Service Fee, which for Calendar Year 2021 is calculated at the lower of \$1.47 per cart based on the passenger count utilizing the FIS area, or a maximum flat service fee of \$3,125,600.00 (Annual Service Fee).

Considering numbers from Calendar Year 2019, if luggage carts in the FIS were provided on a fee basis, as proposed in the amendment, the Airport would have saved \$2,648,000.00 in Annual Service Fee payments and would have received approximately \$726,000.00 in additional revenue.

### **Proposal**

Staff recommends amending the Lease to provide for a fee-based structure for the provision of luggage carts in the FIS area and terminate the payment of the Annual Service Fee to Smarte Carte. To provide for flexibility with respect to future operations, the Amendment will give the Airport Director authorization to reinstate the provision of free carts in the FIS and resume payment of the Annual Service Fee, at his discretion, if business conditions merit such a change.

Additionally, Staff recommends exercising the single 3-year option for a new expiration date of December 31, 2025.

### **Recommendation**

I recommend the Commission adopt the accompanying Resolution (i) approving Amendment No. 2 to the Airport Luggage Cart Lease and Operating Agreement No. 19-0069 with Smarte Carte Inc., which provides for a fee based structure for the provision of luggage carts in the FIS area, terminates the payment of the Annual Service Fee to Smarte Carte, and exercises the one 3-year option, and (ii) directing the Commission Secretary to request approval of the Amendment by the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.



Ivar C. Satero  
Airport Director

Prepared by: Kevin Bumen  
Chief Commercial Officer

Attachment