

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 18-0341

AWARD OF LEASE FOR THE ON-AIRPORT RENTAL CAR OPERATIONS TO THE HERTZ CORPORATION FOR A COMBINED MINIMUM ANNUAL GUARANTEE OF \$16,501,462.00 FOR THE FIRST YEAR OF THE LEASE AGREEMENT

WHEREAS, on March 20, 2018, the Airport Commission (the "Commission") adopted Resolution No. 18-0076, authorizing Airport Staff ("Staff") to commence the competitive selection process and to issue a Request for Bids ("RFB") for Lease Agreements for On-Airport Rental Car Operations (each a "Lease Agreement"); and

WHEREAS, on August 21, 2018, the Commission adopted Resolution No. 18-0267, approving the minimum requirements and Lease Agreement specifications, and authorizing Staff to accept bids; and

WHEREAS, in response to the RFB, Staff received 11 bids, including three separate bids below for the following operating brands from The Hertz Corporation:

1. The Hertz Corporation (Hertz)	\$10,101,154.00
2. The Hertz Corporation (Dollar Rent A Car)	\$3,300,154.00
3. The Hertz Corporation (Thrifty Car Rental)	\$3,100,154.00
	\$16,501,462.00

WHEREAS, The Hertz Corporation met the RFB minimum qualifications and has been determined to be responsive and responsible; now, therefore, be it

RESOLVED, that this Commission hereby awards a Lease Agreement for the Rental Car Center Operations to The Hertz Corporation for the operation of the brand(s) specified above, for an initial term of five years with two (2), two-year options to extend the term, exercisable at the sole discretion of the Commission, with the conditions set forth in the Staff memorandum on file with the Commission Secretary, including but not limited to a combined Minimum Annual Guarantee of \$16,501,462.00 for the first year of the Lease Agreement, and subject to its compliance with the Nondiscrimination in Employment Program and Equal Benefits Ordinance; and be it further

RESOLVED, that the Commission hereby directs the Commission Secretary to request approval of the Lease Agreement by Resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of _____

OCT 16 2018


Secretary



MEMORANDUM

October 16, 2018

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenhime
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Award of Four Lease Agreements for On-Airport Rental Car Operations

DIRECTOR’S RECOMMENDATION: (1) AWARD THE LEASE AGREEMENTS FOR ON-AIRPORT RENTAL CAR OPERATIONS TO THE HERTZ CORPORATION; ENTERPRISE RENT-A-CAR CO OF SAN FRANCISCO, LLC; AVIS BUDGET CAR RENTAL, LLC; AND SIXT RENT A CAR, LLC AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASES FROM THE BOARD OF SUPERVISORS.

Executive Summary

On September 26, 2018, Airport Commission staff (“Staff”) concluded the competitive selection process for the Lease Agreements for On-Airport Rental Car Operations (each a “Lease” or collectively the “Leases”) and recommends award to the following parties: (1) The Hertz Corporation; (2) Enterprise Rent-A-Car Co of San Francisco, LLC; (3) Avis Budget Car Rental, LLC; and (4) Sixt Rent a Car, LLC. These four entities will operate nine brands among them including the following, in order of bid amount: Hertz, Avis, Alamo Rent A Car, National Car Rental, Enterprise Rent-A-Car, Budget, Sixt rent a car, Dollar Rent A Car and Thrifty Car Rental. Each Lease has an initial term of five years with two (2), two-year extensions, exercisable at the sole discretion of the Commission. A breakdown of the companies and each of their respective brands is set forth below.

Background

On March 20, 2018, the Airport Commission (“Commission”) adopted Resolution No. 18-0076, authorizing Staff to commence the competitive selection process and to issue a Request for Bids (the “RFB”) for the Leases. The RFB established minimum acceptable bid amounts (expressed as the first year’s Minimum Annual Guarantee (“MAG”) for each Lease), of (i) 8.5% of reported gross revenues for calendar year 2017 for incumbents and (ii) \$450,000.00 for non-incumbents.

THIS PRINT COVERS CALENDAR ITEM NO. 8

The RFB allowed for award to no more than nine rental car brands to operate in the Airport's Rental Car Center and Quick Turnaround Area. In addition to the base concession fee, which is the greater of the MAG or 10% of gross revenues (the "Concession Fee"), the Leases also include space rent for the various types of premises and the payment of Air Train Fees. The various premises include rental counters, office space, common use areas, ready/return parking, fueling stations, car washes and vehicle staging areas. The Air Train Fee is a per-contract fee of \$18.00 and is passed through directly to the Airport. The initial term of each Lease is five years, with two (2), two-year options to extend the term, exercisable at the sole discretion of the Commission.

On August 21, 2018, the Commission adopted Resolution No. 18-0267, approving the minimum requirements and lease specifications, and authorizing Staff to accept bids. In response to the RFB, Staff received the following bids:

	Bidding Company	Operating Brand	Bid Amount
1	The Hertz Corporation	Hertz	\$10,101,154.00
2	Avis Budget Car Rental, LLC	Avis	\$6,420,453.00
3	Enterprise Rent-A-Car Co of San Francisco, LLC	Alamo Rent A Car	\$5,961,600.00
4	Enterprise Rent-A-Car Co of San Francisco, LLC	National Car Rental	\$5,079,913.00
5	Enterprise Rent-A-Car Co of San Francisco, LLC	Enterprise Rent-A-Car	\$5,046,035.00
6	Avis Budget Car Rental, LLC	Budget	\$4,655,925.00
7	Sixt Rent a Car, LLC	Sixt rent a car	\$3,501,004.32
8	The Hertz Corporation	Dollar Rent A Car	\$3,300,154.00
9	The Hertz Corporation	Thrifty Car Rental	\$3,100,154.00
10	Fox Rent a Car, Inc.	Fox Rent A Car	\$2,730,000.00

An eleventh bid was received from Green Motion SAN LLC, however, it was disqualified for lack of a bid bond.

The first nine bids in the above chart are the successful offers and they were tendered by four separate companies including The Hertz Corporation; Enterprise Rent-A-Car Co of San Francisco, LLC; Avis Budget Car Rental, LLC; and Sixt Rent a Car, LLC. All are incumbents with the exception of Sixt Rent a Car, LLC.

The total aggregate MAG for the new Leases for the first Lease Year, calendar year 2019, totals \$47,166,392.32, which is a \$6.9 million increase over the total aggregate MAG of the current leases for 2018 which will total \$40,261,980.90.

For calendar year 2017, the total of Concession Fees and space rent received from the on-airport rental car operators was \$62,049,283.00. An additional \$31,170,493.00 was collected in the form of Air Train Fees. In total, the on-airport rental car operators paid the Airport \$93,219,776.00 for calendar year 2017. For the first year of the new Leases, the total aggregate MAGs and space rent for the Leases total \$69,186,416.00. Air Train Fees are expected to see little change as passenger growth slows and the transportation network companies continue to fill the transportation needs of passengers who formerly rented vehicles for short periods.

Recommendation

I recommend award of the Leases to: (1) The Hertz Corporation, with a combined MAG for its three brands of \$16,501,462.00 for the first year of the Lease Agreement; (2) Enterprise Rent-A-Car Co of San Francisco, LLC, with a combined MAG for its three brands of \$16,087,548.00 for the first year of the Lease Agreement; (3) Avis Budget Car Rental, LLC, with a combined MAG for its two brands of \$11,076,378.00 for the first year of the Lease Agreement; and (4) Sixt Rent a Car, LLC, with a MAG of \$3,501,004.32 for the first year of the Lease Agreement. Additionally, I recommend directing the Commission Secretary to request approval of the Leases from the Board of Supervisors.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachments

Exhibit A
On-Airport Rental Car Leases

