

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0069

**AWARD OF THE AIRPORT LUGGAGE CART LEASE AND OPERATING AGREEMENT TO SMARTE CARTE INC.**

WHEREAS, on November 20, 2018, by Resolution No. 18-0375, the Airport Commission (Commission) authorized Staff to commence the competitive selection process and issue a Request for Proposals (RFP) for the Airport Luggage Cart Lease and Operating Agreement (Lease); and

WHEREAS, on February 5, 2019, by Resolution No. 19-0020, the Commission approved the revised lease specifications and authorized Staff to accept proposals for the Lease; and

WHEREAS, on March 6, 2019, in response to the RFP, Staff received one proposal for the Lease; and

WHEREAS, Staff reviewed the proposal and determined Smarte Carte's proposal met the minimum qualifications; now, therefore, be it

RESOLVED, that this Commission hereby awards the Airport Luggage Cart Lease and Operating Agreement to Smarte Carte Inc. on the terms set forth in the Staff memorandum on file with the Commission Secretary, which include, but are not limited to, a lease term of three years with one 3-year option to extend the term exercisable at Commission's discretion, a Minimum Annual Guarantee of \$975,000.00 for the first lease year and a Maximum Annual Service Payment to Smarte Carte by the Airport for the first lease year in the amount of the lesser of \$1.45 per luggage cart distributed in the U.S. Customs/Federal Inspection Service area or \$3,100,000.00; and, be it further

RESOLVED, that this Commission hereby directs the Commission Secretary to forward the Airport Luggage Cart Lease and Operating Agreement to the Board of Supervisors for approval 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*

APR 02 2019

  
Secretary



San Francisco International Airport

**MEMORANDUM**

April 2, 2019

TO: AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Eleanor Johns  
Hon. Richard J. Guggenhime  
Hon. Malcolm Yeung

19-0069

APR 02 2019

FROM: Airport Director

SUBJECT: Award of the Airport Luggage Cart Lease and Operating Agreement to Smarte Carte Inc.

DIRECTOR'S RECOMMENDATION: (1) AWARD THE LUGGAGE CART LEASE AND OPERATING AGREEMENT TO SMARTE CARTE INC.; AND (2) DIRECT THE COMMISSION SECRETARY TO REQUEST APPROVAL OF THE LEASE FROM THE BOARD OF SUPERVISORS.

**Executive Summary**

The competitive selection process for the Airport Luggage Cart Lease and Operating Agreement has concluded and Staff recommends award of the Lease to the sole proposer, Smarte Carte Inc. (Smarte Carte).

**Background**

On November 20, 2018, by Resolution No. 18-0375, the Airport Commission (Commission) authorized Staff to commence the competitive selection process and issue a Request for Proposals (RFP) for the Airport Luggage Cart Lease and Operating Agreement (Lease). Staff conducted an informational conference on December 18, 2018 at which Staff presented the Lease to interested parties and gathered feedback.

On February 5, 2019, by Resolution No. 19-0020, the Commission approved the revised lease specifications and authorized Staff to accept proposals for the Lease. Resolution No. 19-0020 incorrectly identified a consumer price index as the method for escalating the Maximum Annual Service Payment for Lease Years 2 and 3. The correct amounts were set forth in the original Commission report and are now fixed and accurate in the Lease to be awarded. This memorandum seeks not only to award the new Lease but also to correct the Maximum Annual Service Payments for Lease Years 2 and 3 as the lesser of: (i) \$1.45 per cart or (ii) \$3,125,600.00, for Lease Year 2, and \$3,281,880.00, for Lease Year 3.

THIS PRINT COVERS CALENDAR ITEM NO. 3

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR    LARRY MAZZOLA PRESIDENT    LINDA S. CRAYTON VICE PRESIDENT    ELEANOR JOHNS    RICHARD J. GUGGENHIME    MALCOLM YEUNG    IVAR C. SATERO AIRPORT DIRECTOR



In response to the RFP, the Airport received one proposal by the March 6, 2019 submittal deadline from the incumbent - Smarte Carte. Staff reviewed the proposal and determined that Smarte Carte's proposal met the RFP's minimum qualifications.

The Smarte Carte operation under the Lease includes both the rental of carts in the public areas of the terminals, parking garages and Rental Car Center as well as the provision of free carts in the U.S. Customs/Federal Inspection Service (FIS) area. For the rental of carts, the Minimum Annual Guarantee (MAG) for Lease Year 1 is \$975,000.00. Base rent payable to the Airport is the greater of the MAG (adjusted annually) or 19% of Gross Revenues. The Maximum Annual Service Fee Payment to Smarte Carte by the Airport for the provision of free luggage carts to travelers in the FIS area is as follows:

- for the first lease year, the lesser of: (i) \$1.45 for each luggage cart distributed or (ii) \$3,100,000.00;
- for the second lease year, the lesser of: (i) \$1.45 for each luggage cart distributed or (ii) \$3,125,600.00; and
- for the third lease year, the lesser of: (i) \$1.45 for each luggage cart distributed or (ii) \$3,281,880.00.

The Lease term is three years with one 3-year option to extend the term exercisable at the Commission's discretion.

Smarte Carte began operating in 1970 and currently has operations at more than 2,800 transportation centers, shopping centers and entertainment facilities worldwide. Smarte Carte has over 30 years of operating experience at the Airport.

### **Recommendation**

I recommend the Commission: (1) award the Lease to Smarte Carte Inc. for a term of three years with one 3-year option to extend the term exercisable at the Commission's discretion, a Minimum Annual Guarantee for the first lease year of \$975,000.00 and a Maximum Annual Service Payment to Smarte Carte by the Airport for the first lease year in the amount of the lesser of \$1.45 per luggage cart distributed in the U.S. Customs/FIS area or \$3,100,000.00 (adjusted in subsequent lease years as set forth above); and (2) direct the Commission Secretary to request approval of the Lease from the Board of Supervisors.



Ivar C. Satero  
Airport Director

Prepared by: Leo Fermin  
Chief Business & Finance Officer

Attachment