

The original term for the Leases is five (5) years with a one (1) five-year option at the Airport Commission's sole discretion. As background, the following table provides the current Minimum Annual Guarantees ("MAG"):

Tenant	2012 MAG
The Hertz Corporation	\$11,890,506.60
Avis Budget Car Rental, LLC	\$ 9,410,892.72
EAN-Northern California, LLC	\$ 9,875,286.31
DTG Operations, Inc.,	\$ 3,727,002.48
Fox Rent A Car, Inc.	\$ 1,440,015.77
Total	\$36,343,703.88

Amendment No. 1 to the Lease corrected the space rent for structure and surface square feet.

Proposal

Staff recommends exercising the one (1) five-year option. Also, staff recommends the following lease modifications to Lease Amendment No. 2:

1. Add language to Section 2 [Terms] that allows for the early termination of the Lease during the Lease term in the event the Airport constructs a new rental car facility or makes substantial renovations to the existing facility during the term. The Airport will issue a six-month termination notice to the Tenants should the Airport exercise the early lease termination provision. Included in the termination notice will be conditions for a buy-out for the unamortized construction costs, as properly reviewed and approved by the Airport and based on the 2014 space reallocation required under the Lease.
2. Add language to Section 3 [Use and Operation] to co-locate family brands during the 2014 reallocation of space to ensure Tenant co-locates the counters and administrative offices of all brands in a single location; currently, not all Tenants with family brands, under one Lease agreement, are located in the same area. To allow for greater efficiency, these Tenants shall co-locate their counters and administrative offices.
3. Add language to Section 4 [Definitions] to exclude toll collection charges from the definition of Gross Revenues. Please note, toll collection (e.g. Golden Gate Bridge) charges have never been included in the Gross Revenues calculation. At the request of the tenants, the Airport has agreed to add the exclusion of toll collection charges to the list of "Excluded Items from Gross Revenues" found in the definition of Gross Revenues. Staff supports this change since these charges are to recover the toll collection and administrative fees paid for by the rental car companies. When customers drive on the bridges without paying tolls, the Bay Area Transportation Agency bills the rental car firms directly for the bridge toll plus various administrative fees and penalties ranging from \$2.00 to \$35.00. The rental car firms then charge the customers' credit cards. Staff agrees that these costs should not be considered "Gross Revenues".
4. The parties have agreed to increase Space Rent and revise Section 4.3 [Monthly Space Rent Payments] as follows:

The Rental Car Center ("RCC") Structure Space Rent shall be at a rate of \$9.74 per square foot per year representing annual debt service for the construction and financing of the consolidated RCC, custodial & maintenance service for all public accessed space, and costs associated to building infrastructure maintenance and modifications.

The RCC Surface Space Rent shall be at a rate of \$1.34 per square foot per year representing the rental value of the unimproved land at the consolidated rental car center.

The Quick-Turn-Around ("QTA") Structure Space Rent shall be at a rate of \$2.68 per square foot per year representing annual debt service for the construction and financing of the QTA vehicle washing facility and costs associated to building infrastructure maintenance and modifications.

The QTA Surface Space Rent shall be at a rate of \$2.30 per square foot per year representing the rental value of the unimproved land at the QTA vehicle washing facility.

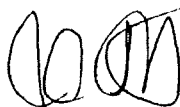
5. Add language to Section 5 [Assignment and Subletting] to allow the Airport Director's approval of subleasing between only on-airport operators. Currently, the Lease agreements provide that the Airport Commission approves all requests for subleasing. However, due to the customary and inconsequential subleasing of parking spaces that occurs between rental car operators sharing a garage, it would be more efficient to have these subleases approved by the Airport Director.

The above Lease Amendment No. 2 is subject to the approval by this Commission and the San Francisco Board of Supervisors under City Charter Section 9.118.

Recommendation

I recommend that the Commission exercise the one, five-year option to extend the term from January 1, 2014 through December 31, 2018, and approve Lease Amendment No. 2 of the Rental Car Center Lease and Operating Agreement, under the terms of this memorandum with The Hertz Corporation Lease No. 08-0153; Avis Budget Car Rental, LLC Lease No. 085-0154; EAN-Northern California, LLC Lease No. 08-0155; DTG Operations, Inc. Lease No. 08-0156; and Fox Rent A Car, Inc. Lease No. 08-0157.

I recommend that the Commission direct the Commission Secretary to request Board of Supervisors' approval of Lease Amendment No. 2 under City Charter Section 9.118.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business & Finance

Attachments

AIRPORT COMMISSION
 CITY AND COUNTY OF SAN FRANCISCO
 RESOLUTION NO. 13 0088

APPROVAL TO EXERCISE THE ONE, FIVE-YEAR OPTION FOR AN OPTION TERM OF JANUARY 1, 2014 THROUGH DECEMBER 31, 2018; AND APPROVE AMENDMENT NO. 2 TO THE LEASE AGREEMENT FOR THE RENTAL CAR CENTER OPERATIONS WITH THE HERTZ CORPORATION LEASE NO. 08-0153

WHEREAS, The Hertz Corporation ("Tenant") was awarded a Lease Agreement for the Rental Car Center Operations ("Leases") by Commission Resolution No. 08-0153, which expires on December 31, 2013; and

WHEREAS, the Lease has a one (1) five-year option at the Airport Commission's sole discretion; and

WHEREAS, the Tenant agrees to amend other sections of the Lease, as noted below; now therefore, be it

RESOLVED, this Commission approves exercising the one (1) five-year option, for an option term of January 1, 2014 through December 31, 2018; and, be it further

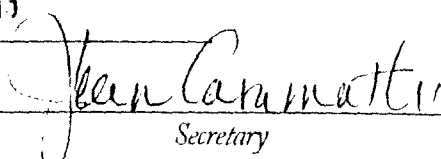
RESOLVED, that this Commission approves Lease Amendment No. 2 which: (1) provides for the early termination of the Leases should the Airport construct a new rental car facility or make substantial renovations to the existing facility during the term; (2) co-locates family brands for ease of operation of their counter and back offices; (3) excludes toll collection charges from the Gross Revenues definition; (4) revises monthly space rent payments, and increases Space Rent as follows:

Space Type	Space Rent per Square Feet (as of CY 2013)	Proposed Space Rent per sq. ft. (eff. 1/1/2014)
RCC Structure	\$9.50	\$9.74
RCC Surface	\$1.40	\$1.34
QTA Structure	\$0.86	\$2.68
QTA Surface	\$2.47	\$2.30

and (5) allows the Airport Director's approval of subleasing between existing on-airport operators; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of Lease Amendment No. 2 from the San Francisco Board of Supervisors under City Charter Section 9.118.

I hereby certify that the foregoing resolution was adopted by the Airport Commission
 at its meeting of APR 16 2013


 Secretary

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13 0089

APPROVAL TO EXERCISE THE ONE, FIVE-YEAR OPTION FOR AN OPTION TERM OF JANUARY 1, 2014 THROUGH DECEMBER 31, 2018; AND APPROVE AMENDMENT NO. 2 TO THE LEASE AGREEMENT FOR THE RENTAL CAR CENTER OPERATIONS WITH AVIS BUDGET CAR RENTAL, LLC LEASE NO. 08-0154

WHEREAS, Avis Budget Car Rental, LLC, ("Tenant") was awarded a Lease Agreement for the Rental Car Center Operations ("Lease") by Commission Resolutions 08-0154, which expires on December 31, 2013; and

WHEREAS, the Lease has a one (1) five-year option at the Airport Commission's sole discretion; and

WHEREAS, the Tenant agrees to amend other sections of the Lease, as noted below; now therefore, be it

RESOLVED, this Commission approves exercising the one (1) five-year option, for an option term of January 1, 2014 through December 31, 2018; and, be it further

RESOLVED, that this Commission approves Lease Amendment No. 2 which: (1) provides for the early termination of the Leases should the Airport construct a new rental car facility or make substantial renovations to the existing facility during the term; (2) co-locates family brands for ease of operation of their counter and back offices; (3) excludes toll collection charges from the Gross Revenues definition; (4) revises monthly space rent payments, and increases Space Rent as follows:

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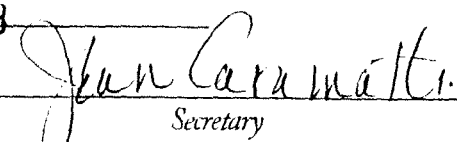
and (5) allows the Airport Director's approval of subleasing between existing on-airport operators; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of Lease Amendment No. 2 from the San Francisco Board of Supervisors under City Charter Section 9.118.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of _____

APR 16 2013


Secretary

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13_0090

APPROVAL TO EXERCISE THE ONE, FIVE-YEAR OPTION FOR AN OPTION TERM OF JANUARY 1, 2014 THROUGH DECEMBER 31, 2018; AND APPROVE AMENDMENT NO. 2 TO THE LEASE AGREEMENT FOR THE RENTAL CAR CENTER OPERATIONS WITH EAN-NORTHERN CALIFORNIA, LLC LEASE NO. 08-0155

WHEREAS, EAN-Northern California, LLC ("Tenant") was awarded a Lease Agreement for the Rental Car Center Operations ("Lease") by Commission Resolutions No. 08-0155, which expires on December 31, 2013; and

WHEREAS, the Lease has a one (1) five-year option at the Airport Commission's sole discretion; and

WHEREAS, the Tenant agrees to amend other sections of the Lease, as noted below; now therefore, be it

RESOLVED, this Commission approves exercising the one (1) five-year option, for an option term of January 1, 2014 through December 31, 2018; and, be it further

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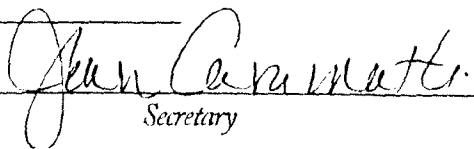
Space Type	Space Rent per Square Feet (as of CY 2013)	Proposed Space Rent per sq. ft. (eff. 1/1/2014)
RCC Structure	\$9.50	\$9.74
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QTA Surface	\$2.47	\$2.30

and (5) allows the Airport Director's approval of subleasing between existing on-airport operators; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of Lease Amendment No. 2 from the San Francisco Board of Supervisors under City Charter Section 9.118.

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

APR 16 2013


Secretary

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13 0091

APPROVAL TO EXERCISE THE ONE, FIVE-YEAR OPTION FOR AN OPTION TERM OF JANUARY 1, 2014 THROUGH DECEMBER 31, 2018; AND APPROVE AMENDMENT NO. 2 TO THE LEASE AGREEMENT FOR THE RENTAL CAR CENTER OPERATIONS WITH DTG OPERATIONS, INC. LEASE NO. 08-0156

WHEREAS, DTG Operations, Inc. ("Tenant") was awarded a Lease Agreement for the Rental Car Center Operations ("Lease") by Commission Resolutions 08-0156, which expires on December 31, 2013; and

WHEREAS, the Lease has a one (1) five-year option at the Airport Commission's sole discretion; and

WHEREAS, the Tenant agrees to amend other sections of the Lease, as noted below; now therefore, be it

RESOLVED, this Commission approves exercising the one (1) five-year option, for an option term of January 1, 2014 through December 31, 2018; and, be it further

RESOLVED, that this Commission approves Lease Amendment No. 2 which: (1) provides for the early termination of the Leases should the Airport construct a new rental car facility or make substantial renovations to the existing facility during the term; (2) co-locates family brands for ease of operation of their counter and back offices; (3) excludes toll collection charges from the Gross Revenues definition; (4) revises monthly space rent payments, and increases Space Rent as follows:

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QTA Surface	\$2.47	\$2.30

and (5) allows the Airport Director's approval of subleasing between existing on-airport operators; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of Lease Amendment No. 2 from the San Francisco Board of Supervisors under City Charter Section 9.118.

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

APR 16 2013

Jean Cammatta
Secretary

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13_0092

APPROVAL TO EXERCISE THE ONE, FIVE-YEAR OPTION FOR AN OPTION TERM OF JANUARY 1, 2014 THROUGH DECEMBER 31, 2018; AND APPROVE AMENDMENT NO. 2 TO THE LEASE AGREEMENT FOR THE RENTAL CAR CENTER OPERATIONS WITH FOX RENT A CAR, INC. LEASE NO. 08-0157

WHEREAS, Fox Rent A Car, Inc. ("Tenants") was awarded a Lease Agreement for the Rental Car Center Operations ("Lease") by Commission Resolutions No 08-0157, which expires on December 31, 2013; and

WHEREAS, the Lease has a one (1) five-year option at the Airport Commission's sole discretion; and

WHEREAS, the Tenant agrees to amend other sections of the Lease, as noted below; now therefore, be it

RESOLVED, this Commission approves exercising the one (1) five-year option, for an option term of January 1, 2014 through December 31, 2018; and, be it further

RESOLVED, that this Commission approves Lease Amendment No. 2 which: (1) provides for the early termination of the Leases should the Airport construct a new rental car facility or make substantial renovations to the existing facility during the term; (2) co-locates family brands for ease of operation of their counter and back offices; (3) excludes toll collection charges from the Gross Revenues definition; (4) revises monthly space rent payments, and increases Space Rent as follows:

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and (5) allows the Airport Director's approval of subleasing between existing on-airport operators; and, be it further

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I hereby certify that the foregoing resolution was adopted by the Airport Commission
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APR 16 2013



Secretary