



San Francisco International Airport

MEMORANDUM

February 21, 2017

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

FROM: Airport Director

SUBJECT: Modification No. 1 to Application-Based Commercial Ground Transportation License and Services Agreement No. 50037 with Airport Research and Development Foundation

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 1 TO LICENSE AND SERVICES AGREEMENT NO. 50037 WITH AIRPORT RESEARCH AND DEVELOPMENT FOUNDATION TO EXTEND THE SERVICE TERM BY THREE YEARS FOR THE PERIOD OF MARCH 13, 2017 THROUGH MARCH 12, 2020, AND TO MODIFY THE AGREEMENT TO CAP THE CITY'S ADMINISTRATIVE SERVICES FEE AT \$250,000 ANNUALLY.

Executive Summary

Under License and Services Agreement No. 50037 (Agreement), the Airport currently licenses its Application-Based Commercial Ground Transportation (ABCT) Management System technology, developed in-house to track and collect revenues off of Transportation Network Companies (Lyft, Uber, Wingz, Sitbaq), to Airport Research and Development Foundation (ARDF) to provide trip fee collection and clearinghouse services to airports, including SFO. Under the terms of the Agreement, ARDF pays the Airport a Service Development Fee equal to 25% of the total administrative services fees ARDF receives from participating airports, and the Airport pays ARDF an Administrative Services Fee equal to 5% of the ABCT trip fees ARDF collects on behalf of SFO. This Administrative Services Fee is capped at \$500,000 for the first two years of the Services Term, but the Agreement does not include an annual cap for subsequent option years.

The Agreement's two-year initial Services Term ends on March 12, 2017. The Airport is seeking to exercise the three one-year options to extend the Services Term, and modify the terms of the Agreement to add an annual cap of \$250,000 on the Administrative Services Fee paid by the Airport to ARDF for the remainder of the Services Term.

Background

On January 20, 2015, this Commission adopted Resolution No. 15-0008, authorizing the Airport to enter into a License and Services Agreement with ARDF. This Agreement licenses ARDF to use City intellectual property in the form of the Airport's ABCT Management System to provide Transportation Network Company trip fee collection and clearinghouse services to airports, including SFO. The Agreement allows for a two-year Services Term, with three one-year options to extend. Under the terms of the Agreement, after the first year, ARDF pays the Airport a Service Development Fee equal to 25% of the total administrative services fees ARDF receives from participating airports, and the Airport pays ARDF an Administrative Services Fee equal to 5% of the ABCT trip fees ARDF collects on behalf of SFO. This Administrative Services Fee is capped at \$500,000 for the second year of the Services Term, but the Agreement does not include an annual cap for the subsequent option years.

THIS PRINT COVERS CALENDAR ITEM NO. 7

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN IVAR C. SATERO AIRPORT DIRECTOR

To date, the following airports other than SFO have entered into agreements with ARDF to use the ABCT Management System:

- Hartsfield Jackson Atlanta International Airport (ATL)
- Wilkes-Barre/Scranton International Airport (AVP)
- City of Colorado Springs Municipal Airport (COS)
- Fresno Yosemite International Airport (FAT)
- Spokane International Airport (GEG)
- Jacksonville International Airport (JAX)
- Norfolk International Airport (ORF)
- McGhee Tyson Airport (Knoxville) (TYS)

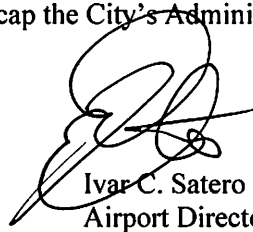
As of February 6, 2017, the Airport has received a total of \$125,715 in Service Development Fees from ARDF, representing 25% of the fees paid to ARDF by these airports and by SFO. To date, the Airport has paid ARDF \$500,000 in Administrative Services Fees. This amount is equal to the Administrative Services Fee cap in the Agreement, which was reached after fewer than six months of paid operation.

At SFO, ABCT permittees Uber, Lyft, and Wingz currently account for over 68% of all paid commercial ground transportation trips, generating over \$2 million per month in trip fee revenue. This high level of ABCT trip activity was unanticipated when the Agreement began in March 2015, when ABCT permittees represented less than 37% of commercial ground transportation trips. As a result, the Airport is seeking to extend the Agreement with ARDF under modified terms that include an annual Administrative Services Fee cap for the remaining three option years of the Services Term.

Modification No. 1 to the Agreement with ARDF exercises all three one-year options to extend the Agreement's Services Term through March 12, 2020. It also modifies the Administrative Services Fee defined in the Agreement to include an annual cap of \$250,000 for each of the subsequent three years of the Services Term.

Recommendation

I recommend that the Commission adopt the attached Resolution to approve Modification No. 1 to the License and Services Agreement with ARDF to extend the Services Term by three years for the period of March 13, 2017, through March 12, 2020, and to modify the Agreement to cap the City's Administrative Services Fee at \$250,000 annually.



Ivar C. Satero
Airport Director

Prepared by: Jeff Littlefield
Chief Operating Officer

Attachment