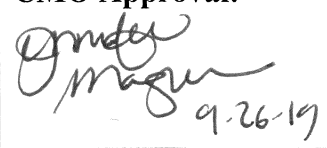


CITY COUNCIL ACTION REQUEST

Department(s): Airport	CEQA: Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.”	Coordination: City Attorney’s Office and City Manager’s Budget Office	Dept. Approval: /s/ John Aitken
Council District: City-wide			CMO Approval: 

SUBJECT: THIRD AMENDMENT TO THE CONCESSION AGREEMENT AND SECOND AMENDMENT TO THE LEASE AGREEMENT BETWEEN THE CITY OF SAN JOSE AND ALCLEAR, LLC

RECOMMENDATION:

- (a) Approve the Third Amendment to the Concession Agreement between the City of San José (“City”) and ALCLEAR, LLC for expedited security screening services, to extend the term for three years to expire on October 21, 2022, modify the concession fee to increase the compensation to the City from 8.5% of total gross revenues received by ALCLEAR to 11% for year one of the amendment, 11.50% for year two, and 11.75% for year three, guarantee annual revenue to the Airport in the amount of \$674,000, revise the concession space, and modify the scope of the concession operations;
- (b) Approve the Second Amendment to the Lease Agreement between the City of San José (“City”) and ALCLEAR, LLC to extend the term for three years to expire on October 21, 2022 with annual revenue to the City in the amount of approximately \$296,027.

BASIS FOR RECOMMENDATION:

ALCLEAR LLC has provided Registered Traveler Services and leased office space at the Airport since October 22, 2013, under separate concession and lease agreements that both expire on October 21, 2019. As of July 2019, ALCLEAR will have paid the City a combined total of approximately \$3.5 million, in concession fees and lease payments since each Agreement began.

In 2019, ALCLEAR partnered with Hertz, to provide Hertz Gold Plus Reward members with an expedited checkout process as well as United Airlines to provide its MileagePlus members preferred pricing. As ALCLEAR continues to partner with airport tenants, enrollments continue to increase, and the Airport has determined that Registered Traveler Services is an integral part of conducting efficient passenger screening services.

Approval of the Third Amendment to the Concession Agreement and the Second Amendment to the Lease Agreement with ALCLEAR will allow ALCLEAR to continue offering expedited security screening services to all Airport customers, increase the registration and enrollment kiosk locations in Terminal A, allow ALCLEAR to operate within Hertz exclusive space in accordance with their partnership, increase the compensation to the Airport, and guarantee revenue to the Airport of no less than \$2,022,000 over the three year extension.

Staff researched and verified that ALCLEAR is currently the only provider of Registered Traveler Services at this time; therefore, the Airport did not conduct a competitive selection process. The Concession Agreement is non-exclusive, which allows for opportunities for other companies in the future to provide Registered Traveler Services at the Airport.

COST AND FUNDING SOURCE:

There is no cost associated with this action and revenue for the three-year extension of this agreement is estimated at \$2,022,000.

FOR QUESTIONS CONTACT: John Aitken, A.A.E, Aviation Director at (408) 392-3610