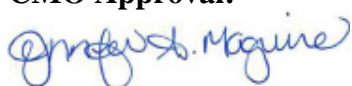


CITY COUNCIL ACTION REQUEST

Department(s): Airport	CEQA: Not a Project, File No. PP17-003, Agreements/Contracts resulting in no physical changes to the environment.	Coordination: City Attorney's Office and City Manager's Budget Office.	Dept. Approval: /s/ John Aitken, A.A.E.
Council District(s): Citywide			CMO Approval:  12/17/20

SUBJECT: APPROVAL TO PROVIDE CONTINUED FINANCIAL RELIEF TO NON-AERONAUTICAL CONCESSIONAIRES AND RENTAL CAR CONCESSIONS AT THE NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT (SJC) AND DELEGATE AUTHORITY TO THE CITY MANAGER TO NEGOTIATE AND EXECUTE AMENDMENTS TO NON-AERONAUTICAL CONCESSION AND RENTAL CAR CONCESSION AGREEMENTS AT THE AIRPORT

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to negotiate and execute amendments to various Airport concession agreements to provide additional financial relief to non-aeronautical concessionaires and rental car concessions from January 1, 2021 through June 30, 2021, to address the continuing impacts of the COVID-19 pandemic. Financial relief for Airport concessionaires could include:

- (a) Suspend Minimum Annual Guaranteed (MAG) rent payments and charge only percentage rent from January 1, 2021-June 30, 2021.
- (b) Suspend, defer or modify the terms of the Annual Concession Fee Reconciliation (True Up) as a result of any negotiated adjustments to the MAG amount.
- (c) Increase the percentage rent as consideration for any further MAG suspension or negotiate flat fee rents.
- (d) Provide Airport concessionaires the ability to charge higher prices by allowing a higher percentage markup over street prices to allow for an increased pass through of costs.

BASIS FOR RECOMMENDATION:

Airport non-aeronautical concessionaires and rental car concessions continue to see significant financial losses due to the low levels of passenger enplanements at SJC and to date, have not received financial assistance from the Federal Government. Passenger traffic and associated gross revenues are severely impacted by the COVID-19 pandemic, and the concessionaires, which include rental car concessions, lounge operators, food and beverage concessions, retail concessions, and their ACDBE partners, are incurring operational costs while meeting their financial obligations to the City.

On April 14, 2020, City Council approved Resolution No. 79477, which delegated authority to the City Manager to negotiate and execute Concession Agreement Amendments to provide the non-aeronautical concessionaires and rental car concessions certain financial relief for April and May 2020, and asked staff to return to Council after engaging in conversations between concessionaires and employee representatives. On May 12, 2020, City Council approved Resolution No. 79514, which extended the financial relief through June 2020 for the Non-Aeronautical Concessionaires and Rental Car Concessions. On August 4, 2020, City Council approved Resolution 79967, which extended the financial relief retroactive from July 1, 2020 through December 31, 2020 for the non-aeronautical concessionaires; and Resolution 79668 that extended the

Financial Relief retroactive from July 1, 2020 through December 31, 2020 for the rental car concessions.

In the Adopted 2020-2021 Operating Budget, use of Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding to provide financial relief for non-aeronautical concessionaires and rental car concessions is contemplated. Staff desires to continue to minimize impacts to the concessionaires and extend financial relief through June 30, 2021, to allow these companies to maintain operations at SJC and provide essential services to the traveling public.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San Jose energy, water, or mobility goals.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST AND FUNDING SOURCE:

The CARES Act allocated \$65.6 million to the Airport that can be used to pay for any costs associated with airport operations. Currently \$40 million in CARES funding is included in the 2020-2021 Modified Budget, including \$31.7 million in the Airport Revenue Fund to help offset anticipated revenue reductions from fees and charges associated with airfield, parking, and terminal activity (e.g. concessionaires); and \$8.3 million in the Airport Customer Facilities and Transportation Fee Fund to offset lower Customer Facility Charge fees that are used to pay for debt financing costs of the consolidated rental car facility.

Up to \$25.6 million in CARES Act funding is available to offset any additional revenue impacts related to the continuation of financial relief for Airport concessionaires, though staff anticipates that much of this funding will be preserved to assist with the economic impacts that are likely to linger into 2021-2022. As necessary, recommendations to increase the CARES Act funding allocated to the Airport Revenue Fund may be brought forward to the City Council as part of a future budget process.

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