

SAN DIEGO UNIFIED PORT DISTRICT

ORDINANCE 2717

ORDINANCE GRANTING LEASE TO HERTZ CORPORATION DBA HERTZ RENT A CAR LOCATED AT 3202 NORTH HARBOR DRIVE, SAN DIEGO, FOR FIVE YEARS AND ONE FIVE YEAR OPTION TO EXTEND, EXPIRING MAY 31, 2023

WHEREAS, the San Diego Unified Port District (District) is a public corporation created by the Legislature in 1962 pursuant to Harbors and Navigation Code Appendix I (Port Act); and

WHEREAS, Section 87(b) of the Port Act grants authority to the District to lease the tidelands or submerged lands, or parts thereof, for limited periods, not exceeding 66 years, for purposes consistent with the trusts upon which those lands are held, by the State of California; and

WHEREAS, the Hertz Corporation dba Hertz Rent A Car (Hertz), Avis Rent A Car System, LLC dba Avis Rent Car Rental (Avis), and Enterprise Rent A Car Company of Los Angeles, LLC dba National Car Rental (National) operate car rental facilities on Harbor Island in close proximity to San Diego International Airport (SDIA); and

WHEREAS, Hertz, Avis, and National occupy 22 acres of tideland property on Harbor Island under three separate leases that currently expire on June 30, 2015, on file in the Office of the District Clerk as Document Nos. 49515, 49517 and 49516; and

WHEREAS, due to uncertainty surrounding the timing and space requirements of SDIA's proposed Consolidated Rental Car Facility (CONRAC), the three rental car companies have requested the District renegotiate their leases early to accommodate their long-term plans; and

WHEREAS, the proposed leases with each of the three rental car companies reflect total annual revenue to the District of approximately \$2,813,054, increasing revenue to the District by \$126,278 per year over the current annual lease revenue of \$2,686,776; and

WHEREAS, lease rents will increase with annual Consumer Price Index (CPI) adjustments between 2-4%; and

WHEREAS, Hertz has asked for a 5-year term lease with one 5-year option to extend; and

WHEREAS, Hertz has been a tenant in good standing since 1995; and

WHEREAS, the proposed lease includes a reciprocal termination clause that provides flexibility to the District and Hertz, either to cancel the lease or to cancel a portion of the leasehold after the initial term of the lease, with a prior 18 month written notice. This will afford the District flexibility to consider and plan for future uses of the property, while maintaining and increasing a significant revenue stream; and

WHEREAS, through negotiations, staff proposed and Hertz agreed to the following rent:

Tenant	Current Annual Rent	x CPI	= Proposed Rent
Hertz	\$1,114,512	4.7%	\$1,166,894

WHEREAS, staff recommends the following new terms for Hertz:

- New lease with updated lease language;
- New 5-year term with a 5-year option for Hertz (estimated term of 2013 – 2023);
- Mutual termination rights after the initial term, upon 18-month written notice;
- Increased rent (see chart above); and
- Annual CPI increases capped between 2-4% annually.

NOW, THEREFORE, the Board of Port Commissioners of the San Diego Unified Port District does ordain as follows:

Section 1. That the lease for five (5) years and one (1) additional five (5) year lease term option to extend to Hertz Corporation dba Hertz Rent A Car, leasing certain premises located at 3202 North Harbor Drive, San Diego is hereby approved and granted.

Section 2. The Executive Director or his designated representative is hereby directed to execute said lease with Hertz Corporation dba Hertz Rent A Car for a five (5) year term with one (1) additional five (5) year option to extend, expiring May 31, 2023.

Section 3. This ordinance shall take effect on the 31st day from its passage by the Board of Port Commissioners.

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PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 7th day of May, 2013, by the following vote:

AYES: Castellanos, Malcolm, Merrifield, Moore, Nelson, Smith, Valderrama

NAYS: None.

EXCUSED: None.

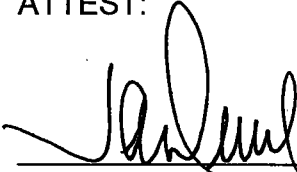
ABSENT: None.

ABSTAIN: None.



Ann Y. Moore, Chair
Board of Port Commissioners

ATTEST:



Timothy A. Deuel
District Clerk

(Seal)