



City of Santa Barbara
Airport Department

Meeting: 5/17/17
Agenda Item No. 06

DATE: May 17, 2017
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: Rental Car Concession Agreements Lease Agreements

RECOMMENDATION:

That Airport Commission recommend approval to City Council and authorize the Airport Director to execute five (5) year agreements, each with one 5-year option at mutual discretion, for the management of a rental car business on Airport property at the Airline Terminal at 500 Fowler Road and the Quick Turn-Around (QTA) facility at 25 David Love Place, effective upon the latter of the effective date of the City ordinance authorizing the agreements or July 1, 2017, with:

- A. Avis Budget Car Rental LLC, a Delaware Corporation, representing Avis Rent A Car
- B. Enterprise Rent-A-Car Company of Los Angeles, LLC, a Delaware limited liability company, operating as Enterprise-Rent-A-Car and National Car Rental
- C. Enterprise Rent-A-Car Company of Los Angeles, LLC, a Delaware limited liability company, operating as Alamo Rent A Car.
- D. The Hertz Corporation, a Delaware Corporation, operating as Hertz and Hertz Advantage

Each agreement will require a first year Minimum Annual Guarantee of 90% of the previous calendar year's concession fees paid to the Airport, or 10% of gross receipts, whichever is greater. After the first agreement year, the Minimum Annual Guarantee will be calculated as 85% of the previous agreement year's concession fees paid to the Airport. These terms reflect standards of the industry in airport rental car operations.

DISCUSSION:

Background

Airport car rentals provide an essential and convenient transportation option for visitors to the greater Santa Barbara region. Rental cars also are a significant source of revenue for the Airport. In FY 2016, the Airport earned \$1.9 million in rental car revenue. The rental car business is the second largest non-airline source of terminal revenue, led by terminal parking revenue with \$2.6 million in FY 2016.

A significant amount of change has occurred in the rental car business over the last 20 years as the result of bankruptcies, mergers and acquisitions. Today, most rental car companies in the marketplace operate under multiple brand names. The Airline Terminal was constructed in 2011 and built to accommodate four rental car company counters. While the Airport's rental car business remains open to competition from other rental car companies, there is no available space in the Airline Terminal to accommodate additional onsite operations. Potential new entrants would need to operate off-airport. Thrifty Rent A Car currently is the only off-airport rental car business, under a separate agreement with the Airport. Every indication is that passenger demand for rental cars is being met.

Negotiation Process

The Airport conducted an extensive request for proposals (RFP) process in early 2011 when the current rental car companies were selected for operations. Due to the consolidation in the industry, the Airport proposed to the Federal Aviation Administration (FAA) that it would conduct a request for interest (RFI) to first determine the level of interest in a rental car business at the Airport. The FAA approved this approach and a process was conducted in 2016. The current rental car operators were the only companies to respond to the RFI, and therefore, direct negotiations were initiated with them.

The concession fee paid to the Airport is nearly uniform throughout the aviation industry at 10% of gross sales. The Airport renegotiated the fee charged to the rental car companies for their Ready/Return parking spaces adjacent to the Airline Terminal. Previously each company paid \$25 per month per parking space. With the execution of this agreement, the companies will pay \$35 per month per space, and increasing by one dollar each of the following five years. Provisions for the reallocation of parking spaces both at the Airline Terminal and in the QTA remain the same as in the previous agreement.

PREPARED BY: Business Development

ATTACHMENT: Map