Memorandum



DATE April 29, 2016

 Members of the Economic Development Committee:
 Rickey D. Callahan (Chair), Casey Thomas, II, (Vice Chair), Adam Medrano, Lee M. Kleinman, Carolyn King Arnold, B. Adam McGough

SUBJECT Dallas Love Field Rental Car Operations

On Monday May 2 2016, the Economic Development Committee will be briefed on Dallas Love Field Rental Car Operations.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.

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Ryan S. Evans First Assistant City Manager

C: The Honorable Mayor and Members of the City Council A.C. Gonzalez, City Manager Christopher D. Bowers, Interim City Attorney Craig D. Kinton, City Auditor Rosa A. Rios, City Secretary Daniel F. Solis, Administrative Judge Eric D. Campbell, Assistant City Manager Jill A. Jordan, P.E., Assistant City Manager Mark McDaniel, Assistant City Manager Joey Zapata, Assistant City Manager Jeanne Chipperfield, Chief Financial Officer Sana Syed, Public Information Officer Karl Zavitkovsky, Director, Office of Economic Development J. Hammond Perot, Assistant Director, Office of Economic Development Elsa Cantu, Assistant to the City Manager – Mayor & Council

Dallas Love Field Rental Car Operations Economic Development Committee



DAILAS LOVE FIELD

May 2, 2016





Purpose

- Provide an overview of Rental Car operations at Dallas Love Field (DAL)
- Review challenges facing DAL operations
- Evaluate Consolidated Rental Car Facility (ConRAC) options
 - Site location options
 - Funding
 - Industry trends
- Review Next Steps





Since Wright Amendment repeal, Dallas Love Field's growth has continued



-2015 DAL enplanements – 7.2m

Dallas Love Field -Note: In 2014, Lambert – St. Louis International, the highest ranking medium Hub airport had 6.1m enplanements (Source: FAA.gov – CY 2014 Passenger Boarding and All-Cargo Data for US Airports)

Overview

Increased passenger traffic impact

- Increased Parking and Ground Transportation traffic (on airport)
 - Parking garages come close to capacity on Tuesdays, Wednesdays and Thursdays
 - During holidays and peak travel season 7,000 space parking garages exceed capacity
- Experienced a surge in Ground Transportation modes causing an increased demand for airport roads and curbs
- Impact on terminal area roadways due to high demand for new offairport rental car, Transportation Network Companies and existing taxi, shared ride shuttle, hotel and parking shuttle traffic Dallas Love Field



TNC pick-up area along lower level roadway curb



Increased passenger traffic impact

- Congested Roadways (off airport)
 - Airport Access Roadways become congested with a large mix of vehicles during peak times
 - Intersection of Herb Kelleher Way and Mockingbird Lane is the only entry/exit point to DAL
 - Increased congestion at Herb Kelleher Way and Mockingbird Lane cause long dwell times (Reduced Level of Service)

	LOS	Control Delay per Vehicle (Seconds/Vehicle)
Level of Service criteria for signalized intersections	А	<10
	В	>10-20
	С	>20-35
	D	>35-55
	E	>55-80
Dallas Love Field	F	>80

Intersection Level Of Service (LOS)

Mockingbird Lane @ Herb Kelleher Way/Cedar Springs

- Traffic study conducted in November 2015 to determine LOS with and without Remote ConRAC
- Would conditions improve should we build ConRAC on-airport or off-airport?
- Building off-airport improves service to Level C

allas Love Field

RAC Location	AM Level of Service	PM Level of Service
On Airport	D	D
Off Airport	С	D

Source: Transportation Research Board, Highway Capacity Manual, 2010. Prepared by: Ricondo & Associates, Inc., November 2015.

DAL Rental Car Operations

Nine Rental Car Brands offer on-airport car services at Love Field. All nine have concession contracts with the City.

- Hertz, Avis, Budget, Dollar, Enterprise, National, Alamo, Thrifty and Advantage, each exclusive use leasehold includes:
- Rental Car Company ground leases set to expire in 2017
- All transport customers between the terminal and their facilities via individual company operated shuttle buses
- All nine contracts include counter space inside the terminal as a part of the Rental Car Concession program
 - Third and final option set to expire September 2016
 - RFP will be issued Summer 2016 (Note: Inclusion of ConRAC language)



DAL Rental Car Operations

In addition to their main facilities, Rental Car companies have leased additional property for vehicle storage



DAL Rental Car Concession Sales

Rental Car Concession Sales										
	2013	2014	% diff.*	2015	% diff.*	Total diff. **				
Sales	\$67,787,198	\$77,509,852	+14%	\$102,448,223	+32%	+51%				
Revenues	\$7,428,765	\$8,075,098	+9%	\$10,265,166	+27%	+38%				
Effective % Rental Rate	10.96%	10.42%		10.02%						
Lease Rentals	\$422,871	\$431,991		\$562,093						
Concession Revenue	\$7,851,636	\$8,507,089		\$10,827,259						

- Rental Car Sales are gross sales, of which, DAL receives a percentage or minimum annual guarantee (MAG)
- Lease rentals relate to Facilities leases and overflow storage lot leases
 *Percent difference over previous year
- ****Total percent difference over 2013**



DAL Rental Car Challenges

- Nine rental car brands operate on-airport on approx. 20 acres
 - Shuttle buses and customers returning vehicles to on-site location contributes to roadway congestion
 - No adequate space for rental car vehicle storage to meet demand
 - Current rental car ground leases expire 2017
- Recommend constructing Consolidated Rental Car Facility to increase LOS for landside facilities



Consolidated Rental Car Facility (ConRAC)



Consolidated Rental Car Facility (ConRAC)

- A facility that combines all rental car operations, including vehicle pick up and drop off, car storage, cleaning and fueling into a single facility
- Functional Components of a ConRAC include:
 - Customer service area
 - Ready/return area
 - Overflow Vehicle Storage
 - Vehicle Service Area/Quick Turnaround (QTA)
 - Fuel Islands
 - Wash bays
 - Maintenance bays
 - Admin Space
 - Employee Parking



Preliminary Space Requirements

- To determine space requirements for DAL RAC operations, Ricondo & Associates, Inc. issued a Questionnaire to DAL rental car companies in May 2015
- Used a conglomerate of all space needs to determine future space requirements



Annual/Monthly Activity

- # of Rental transactions
- # of returns
- # of counter positions, self service, back office space needed in 2015, 2022, 2032
- # of ready/return spaces needed
- Employee parking
- Service/Maintenance, Storage needs

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Rental Car Brand:								
Contact Person:								
Contact's Title:								
Mailing Address:								
Telephone:								
Fax:								
E-Mail Address:								
			TRANSAC	TION DAT.	۱.			
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2012								
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Preliminary Space Requirements Methodology

- Requirements were developed using DAL-specific hourly rental car transactions for a peak rental day
 - A peak rental day was selected as the design day; ready vehicles occupy more space than the same number of return vehicles and represent the maximum space requirement during a peak period
- Planning hour activity was defined as the peak hour number of rentals and returns
- Standard industry planning factors were used to recommend other facility requirements



Preliminary Space Requirements Results Summary

	2015 SPACE PROGRAM			2024 SPACE PROGRAM			2032 SPACE PROGRAM		
	Low	Baseline	High	Low	Baseline	High	Low	Baseline	High
	<u>Quantity</u>	<u>Quantity</u>	<u>Quantity</u>	<u>Quantity</u>	<u>Quantity</u>	<u>Quantity</u>	<u>Quantity</u>	<u>Quantity</u>	<u>Quantity</u>
<u>Customer Service Area</u>									
Regular Counter Positions	49	49	49	58	59	64	59	60	66
Subtotal Customer Service Area	49	49	49	58	59	64	59	60	66
Ready/Return/Storage Areas									
Ready Spaces	1,101	1,101	1,101	1,295	1,306	1,417	1,311	1,306	1,460
Return Spaces	478	478	478	562	567	615	569	582	634
Subtotal area Ready/Return	1,579	1,579	1,579	1,857	1,873	2,032	1,881	1,888	2,095
Storage Spaces	1,169	1,169	1,169	1,374	1,386	1,504	1,392	1,424	1,550
Subtotal Storage Area	1,169	1,169	1,169	1,374	1,386	1,504	1,392	1,424	1,550
Exit Booths	12	12	12	14	15	16	15	15	16
Subtotal Exit Booths	12	12	12	14	15	16	15	15	16
QTA/Service Site									
Fueling Positions	48	48	48	56	57	62	57	58	63
Wash Bays	8	8	8	9	9	10	9	10	11
Stacking and Staging Spaces	288	288	288	336	342	372	342	348	378
Maintenance Bays	39	39	39	45	46	50	46	47	51
Administrative Area	8,824	8,824	8,824	10,376	10,465	11,355	10,511	10,748	11,705
Employee Parking	481	481	481	566	571	619	573	586	638
Subtotal QTA/Service Site	9,688	9,688	9,688	11,389	11,489	12,468	11,539	11,797	12,846
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	717,724	919,924	717,724	1,081,276	1,071,065	1,184,135	1,075,711	1,109,448	1,217,305
IOTAL REQUIREMENT - ACKES	∠1	∠	\angle	20	20	21	ZO	25	Zð



Preliminary Site Concept Analysis Overview

- Based on the requirements, four potential sites for a ConRAC were identified
 - Some sites include multiple layout and parcel configurations
- Facility "massing" layouts were developed to determine each site's ability to accommodate the 2032 baseline facility requirements
- Key pros and cons were identified
- Each site will be evaluated based upon the site's ability to meet an established set of evaluation criteria



Evaluation Criteria

Customer Service

- Customer wayfinding to and from facility
- Customer access (time to rent vehicle)
- Customer convenience
- Airport image

Rental Car Operations

- Operating cost considerations
- Ability to accommodate long-term needs
- Ability to accommodate space program
- Adjacency of critical operational components

Common Busing Operation

- Distance
- Drive time

Environmental Consequences

- Air quality
- Wetlands
- Hazardous materials

Site Considerations

- Ownership of land
- Offsite infrastructure improvements required
- Terps/Part 77 restrictions
- Constructability
- Length of time to commence construction
- Traffic

Airport Compatibility

- Existing operations
- Impact on other Master Plan priorities
- Security

Project Cost



Facility Siting Objectives

- Sufficient land to accommodate space requirements through the planning horizon and to permit future expansion of facilities
- Provide easy customer access/egress to the airport area's major roadway system
- Maintain reasonable RAC customer consolidated shuttle bus driving time between the terminal and the ConRAC – 15 minute maximum with the objective being under 10 minutes
- Create stable rental car operating and facility environment while maintaining/enhancing customer service



Potential ConRAC Site Locations





Conceptual Cost Estimate Summary

- Rough order of magnitude of \$233-\$271m depending on site and capacity of facility:
 - Parking Garage with Customer Service Building
 - DAL estimates accommodate 100% of storage needs
 - Industry standard is to accommodate 30% of storage needs, if possible, which will bring down cost significantly
 - Quick Turnaround Facility
 - Site Development
 - Does not include transportation/shuttles or property costs
- Additional revenue streams include rents charged to rental car companies and concession fees



ConRACs (Planned or Recent Openings)

Airport	2014 Destination pax (m)	2014 RAC gross sales (m)	# of floors	Common Busing v. People Mover	Total Vehicle Capacity	Project Cost (m)	Current CFC rate	Funding
San Diego (Opened Jan. 2016)	8.5	\$241.8	Grade +3	Common busing	4,930	\$341.0	\$7.50/day	CFC backed taxable special facility rev bond issued by San Diego Regional Airport Authority
Tampa International (opening Nov. 2017)	7.8	\$275.7	Grade +3	People mover	6,000	\$318.7	\$5.95/day	CFC backed taxable special facility rev bond issued by Hillsborough County Aviation Authority, Florida Dept. of Transportation Grant
Salt Lake City (opening 2018)	5.5	\$180.6 (approx.)		Walk	Not provided	Not provided	\$5/day	GARBS issued by City of Salt Lake City
Austin (opened Nov. 2015)	4.8	\$112.9	4 above grade levels (grade level is public parking)	Walk	2,992	\$155.0	\$5.95/day	CFC backed taxable special facilities rev bond issued by City of Austin
San Antonio (projected opening Mar. 2018)	4.0	\$101.8	Top 5 levels of public parking structure; parking on 1 st 2 levels	Walk	3,100	\$135.0 Includes 2 public parking levels	\$5/day	CFC backed taxable special facilities rev bonds issued by City of San Antonio; GARB issued for public parking portion of facility



Dallas Love Field Sources: 2014 ARN Fact Book: Ricondo & Associates Consolidated Rental Car Center Database, December 2015 Prepared by: Ricondo & Associates, Inc., March 2016

Funding



Customer Facility Charge (CFC)

- CFC revenue stream is the principal method utilized by airports to pay for rental car facilities and common use transportation systems (busing, APM)
- CFC is a user fee; Not a tax or surcharge
- In effect at over 130 airports
- Industry: ranges from \$1.00 to \$8.00 per transaction day; or \$3.00 to \$10.00 per transaction
- Airport pledges CFC revenue stream to pay debt service on financing instrument used to fund rental car facilities
- CFCs are collected in advance of specific project definition
- To fund planning and future construction of ConRAC, staff recommends collecting a CFC at DAL



Implementation

- DAL is city-owned and operated, DAL CFC would be implemented by Ordinance
 - Ordinance would determine CFC-eligible costs, which can include:
 - Debt Service
 - Facility Operations & Maintenance
 - Common use transportation system (Fleet acquisition, O & M, Bus maintenance facilities, APM)
 - Other (Terminal roadway and curbside improvements, Infrastructure including utilities and airport access roadways, Environmental remediation)
- When?
 - Collection of CFCs can start as soon as a project is identified
 - Project does not have to be defined
 - Early collection CFCs used as "pay-go" for preliminary planning, design, environmental studies, etc.



CFCs at Texas Airports

Airport	Fee
Abilene	\$3.00/day
Amarillo	\$3.00/day
Austin	\$5.95/day
Corpus Christi	\$3.50/day
DFW	\$4.00/day + \$2.20/day transportation fee
El Paso	\$3.50/day
Harlingen	\$3.00/day
Houston Hobby	None (but under consideration)
Houston IAH	\$4.25/day +\$4.49/transaction transportation fee
Killeen	\$2.00/day
Lubbock	\$3.50/day
San Antonio	\$5.00/day
Waco	\$1.95/day

CFCs at Other Airports

Airport	CFC Collection Rate				
BWI	\$3.75 per day				
Tampa	\$5.95 per day				
Fort Lauderdale	\$3.95 per day				
Chicago Midway	\$4.75 per day				
San Diego	\$7.50 per day				
Oakland	\$10.00 per transaction				
Chicago O'Hare	\$8.00 per day				
Philadelphia	\$8.00 per day				
Raleigh Durham	pending				



Trends

- Average CFC rates recently enacted are rising; \$5-\$6 per transaction day; California CFC statute permits CFC rate of up to \$9 per transaction day starting in 2017
- Facility development costs rising
- Consolidated facility O&M costs rising
- Common use transportation system vs. busing
- Affordability—a specific airport rental car market may not support facility debt service
- CFC revenue combined with other revenue sources
- Expanded definition of CFC-eligible costs
 Dallas Love Field

Post CFC-Implementation Demand Impacts

Chicago O'Hare - \$8.00/day CFC implemented in 2010

- Rental car transactions increased 8.9% in 2011 and increased 5.7% in 2012
- O&D passengers increased 4.2% in 2011 and 1.3% in 2012

Philadelphia - \$8.00/day CFC implemented in 2014

- Rental car transactions increased 1.3% in 2015
- O&D passengers increased 5.3% between Q3 2014 and Q3 2015

<u>Austin - CFC rate increased from \$3.50/day to \$5.95/day effective</u> <u>1/1/2011</u>

- Rental car transactions increased 9.2% in 2011 and increased 1.0% in 2012
- O&D passengers increased 5.1% in 2011 and 3.4% in 2012



CFC Funding Capacity Analysis

Completed to assist DAL with determination of funding capacity of various CFC levels at \$5.00, \$6.50 or \$8.00 per transaction day

• Model also includes annual cash flow and debt service coverage ratios for each of the various CFC rate scenarios

Summary of Estimated CFC Funding Capacity for Project Costs							
	PAYGO	Leve	raged	Total			
	CFCs ^{1/}	C	CFCs ^{2/}	Project Cost			
CFC Rate							
\$5.00 Per Transaction Day	\$19,254,169	\$136,9	57,366	\$156,211,535			
\$6.50 Per Transaction Day	\$25,030,420	\$178,04	44,576	\$203,074,996			
\$8.00 Per Transaction Day	\$30,806,671	\$219,1	31,786	\$249,938,457			
1 CFCs projected to be available to fur	nd project costs on a pay-as-you	go basis through FY 2017.					
2/ Leveraged CFCs represent the net C	FC bond proceeds available for	project cost.					
Source: Dallas Love Field Airport, Ricor	ndo & Associates, Inc., May 2015						
Prepared by: Ricondo & Associates, Inc	., M ay 2015						

Third Party Development

- Several third party developers have approached the City with a request to develop, build, operate, and/or maintain a ConRAC facility
 - Some other airports have utilized third party developers to construct, and operate facilities
 - All developers require CFC's and airport financing
 - Third party may bring new potential site not currently under control by the airport
- Third party development shifts some risk, but may add cost to project for development fees
 - Rental car companies are not opposed to a third party development



Next Steps

- Draft ordinance to begin collection of CFC at a rate to be determined Summer 2016
 - Final rate to be determined after consultation with Rental Car Companies as to final design programming for CONRAC
 - Fund future rental car facility planning efforts and ultimately fund future rental car facility projects at DAL
- Issue RFP for third party developer to assist with ConRAC construction
- Evaluate cost/benefit of third party development
- Complete evaluation of site location options and recommend project implementation
 - Identify most desirable location/ development option, and start preliminary planning

