



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 20-00027

City Council

1/16/2020

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

AIRPORT - EXECUTIVE CAR RENTAL, INC. RENTAL CAR CONCESSION AGREEMENT AND REAL PROPERTY LEASE

RECOMMENDATION:

That City Council authorize the Mayor to execute the Rental Car Concession Agreement and Real Property Lease with Executive Car Rental, Inc. Further, that City Council authorize the Mayor to take all actions necessary to execute the Rental Car Concession Agreement and Real Property Lease.

HEARING REQUIRED: No Hearing Required

SUMMARY:

Pensacola International Airport has six on-airport rental car concession counters in the passenger terminal, four full-service facility sites and one quick-turn-around service site. Currently, five of the six terminal counters are occupied by Hertz, Avis/Budget, Enterprise, Dollar/Thrifty, and Alamo/National. The four full-service facility sites are occupied by Hertz, Avis/Budget, Enterprise/Alamo/National (Enterprise Holdings owns Alamo and National), and Dollar/Thrifty. These concessionaires provide rental car services to the individuals utilizing Pensacola International Airport; renting or leasing motor vehicles to the public seven days a week during the hours in which there are scheduled airline operations. One terminal counter location and the one quick-turn-around service site are vacant.

For the privilege of conducting business from the Airport, the concessionaires are required to pay the City a minimum annual guarantee (based on a percentage of their previous year's revenue, with the minimum annual guarantee not being less than \$100,000) or ten percent of their gross revenue, whichever amount is greater. The concessionaires also pay for their terminal counter/office area, pay ground rent on their service facility site, and pay a customer facility charge for the use of the parking garage and service facility.

The current Rental Car Concession Agreement was developed and approved in 2009, with an expiration date of July 2014. Given that over ninety-four percent of all rental car concessionaires were operating at the Pensacola International Airport in 2014, and given the industry-standard payment structure contained in the original agreement, no benefit could have been derived from advertising the concessions, and no new entrants to the market could have been attracted. Therefore, in lieu of advertising concession documents that would be identical to those already in

place, Mayor Hayward executed a five-year extension with each rental car concessionaire beginning August 1, 2014 and ending July 31, 2019.

The existing agreement was reviewed by Airport Staff, outside consultants, and representatives from the rental car industry prior to its expiration in July 2019. As was the case in 2014, given that there had been no changes to the rental car industry that would necessitate revisions other than updating the rental rate for the service facilities and providing for the replacement of certain items in the service facilities, Airport Staff requested, and City Council subsequently approved that the agreement be extended for an additional five years (August 1, 2019 - July 31, 2024).

In October, 2019 the Pensacola International Airport was contacted by Mr. Zubair Ahmed, Chief Operating Officer of Executive Car Rental, Inc. about the availability of on-airport rental car concession space. Mr. Ahmed was shown the vacant terminal counter location and the one vacant quick-turn-around service site, and he expressed an interest in the same.

Mr. Zubair submitted a letter of intent dated October 14, 2019 expressing his desire to enter into the Rental Car Concession Agreement and Real Property Lease under the same terms and conditions as the other rental car concessionaires, with a proposed start date of February 1, 2020 and with a termination date identical to that of the other rental car concessionaires, July 31, 2024.

PRIOR ACTION:

July 9, 2009 - City Council awarded a five-year Rental Car Concession Agreement beginning August 1, 2009 and ending July 31, 2014.

October 2014 - Mayor Hayward executed Amendment Number 1, extending the Rental Car Concession Agreement with each concessionaire for another five-year term beginning August 1, 2014 and ending July 31, 2019.

February 14, 2019 - City Council authorized the Mayor to execute Amendment Number 2 of the Rental Car Concession and Real Property Lease at the Pensacola International Airport extending the agreement for another five-year term.

FUNDING:

N/A

FINANCIAL IMPACT:

The Rental Car Concession Agreement and Real Property Lease with Executive Car Rental will generate an estimated \$15,592.16 per year in terminal building rent and \$31,000.00 per year in service facility ground rent. In addition, the concessionaire will collect and remit a Customer Facility Charge of \$4.25 per contract day and an annual privilege fee of 10% of gross revenue or \$100,000.00, whichever is greater.

Fiscal Year 2020 Rental Car Concession Revenues are budgeted at \$4,000,000, and Rental Car Customer Facility Revenues between the garage and the service facilities are budgeted at \$3,625,000. Rental Car Concession Revenues have averaged approximately \$3.56 million per year

since Fiscal Year 2014. Additionally, Rental Car Service Facility Revenues have averaged approximately \$3.4 million per year to pay for the ongoing maintenance and debt services of the parking garage and service facilities.

CITY ATTORNEY REVIEW: Yes

1/2/2020

STAFF CONTACT:

Keith Wilkins, City Administrator

Richard Barker, Jr., Deputy City Administrator - Administration & Enterprise

Daniel E. Flynn, Airport Director

ATTACHMENTS:

- 1) Executive Car Rental Concession Agreement and Real Property Lease

PRESENTATION: No