HFIN

FILE

HOUSE COMMITTEE REPC T

(11)
Date Referred to Committee: February 9, 2005

FURTHER REFERRALS:

Date of Committee Action: 2/14/05

The FINANCE Committee considered: HB 115

HOUSE BILL NO. 115 — AIRPORT CUSTOMER FACILITY CHARGES

"An Act relating to charges paid or collected by users or occupants of an airport facility owned or controlled by the state."

Recommends it be replaced with [ ] HCS or [✓] CS for ______________ (TrS.)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR______ [ ] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to ____________Committee
[ ] Letter of Intent___________Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
DOT	#1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Mike Hawker		✓			
Bill Stoltze	STOLTZE			X	
Gregg Croft	CROFT	✓			
[signature]	Joule			—	
[signature]	Holm			✓	
[signature]	Kelly	✓			
[signature]	FOSTER	X			
[signature]	Weyhrauch	X			
Chair: [signature]	Meyer	X			
Chair: [signature]	Chenault	X			

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 115(TRA)
(H) Publish Date: 2/9/05

Revision Date/Time (Note if correction):
Title: Airport Customer Facility Charges
Sponsor: (H) Labor & Commerce
Requester: House Transportation

Dept. Affected: DOT&PF
RDU: Administration & Support
Component: Commissioner's Office
Component No. 530

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: [ ]

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Prepared by: Nona Wilson
Division: Legislative Liaison, DOT&PF
Phone: 465-3904
Date/Time: 2/7/05 2:38 PM

Approved by: Mike Barton
Agency: Commissioner, DOT&PF
Date: 2/7/2005

(Revised 6/23/2004 OMB)

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Representative Tom Anderson
District 19 - Anchorage

Sponsor Statement
HB 115

Title: "An Act relating to charges paid or collected by users or occupants of an airport facility owned or controlled by the state."

HB 115 provides a mechanism, customer facility charges or "CFCs," to improve airport facilities without the expenditures of state funds. The most common projects to use CFCs funds are car rental facilities. The bill also provides a revenue stream to maintain and operate the facilities, without requiring an increase in the airport operating budget as the cost of maintenance will be paid using the related customer facility maintenance charge.

In 2001, the legislature passed chapter 99 SLA 2001, which authorized the imposition of customer facility charges to fund the construction of improvements on airport properties. CFCs have been imposed by many other airports around the country as a means of funding car rental facility improvements. No state credit is pledged to support the bonds. Dallas-Fort Worth and Denver are two examples out of many where CFC's have been used successfully to build these facilities.

During negotiations with the state over the implementation of the project, issues were identified and set forth in ch. 99 SLA 2001. These issues should be clarified to ensure the bonds can be marketable. Those issues revolve around clarifying the new revenue stream generated by the CFC should not be considered revenue of the state when the bond is a private initiative and ensuring that the bond trustee, not the state, will take custody of the funds.

Because the facility will revert to the state in its entirety at the end of the term, it would also be appropriate to allow the imposition of a customer facility maintenance charge to ensure the facility is well-maintained and kept up appropriately. The charge also avoids any impact on the airport's operating budget as the airport will not be responsible for the maintenance and repair of the facility while under airport car rental company's control.

This bill implements a valuable private market tool to construct improvements to Alaska airports, without the expenditure of public funds. This will improve the amenities provided to the traveling public, both Alaskan and non-Alaskan alike.

I urge your support for this bill.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 115(TRA)
(H) Publish Date: 2/9/05

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Estimate of any current year (FY2005) cost: 0.0

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(Revised 9/23/2004 OMB)

Alaska State Legislature
House of Representatives

Official Business

State Capitol
Juneau, AK 99801-1182

Sectional Analysis for HB 115
BY: Representative Tom Anderson

Section 1. The language that was added in ch. 99 SLA 2001 to AS 02.15.090(a) is being moved into a new subsection (h) for clarification purposes.

Section 2. This adds a new subsection (h) to AS 09.15.090 which now becomes the operative stand alone section allowing for the collection of customer facility charges ("CFCs). It allows the commissioner of DOT/PF, by contract or order to set the CFC, to require the car rental companies to collect the fee, and to adjust the CFC to meet debt service obligations that might be required or desirable as car rental traffic increases or decreases over time; these are carry-overs of existing law. The new language clarifies that the CFCs will be remitted to the bond trustee and not the state when the state did not issue the bonds. CFCs will still be used to repay the bond or other indebtedness incurred for the project. However, the definition of what types on indebtedness could be paid has been broadened to include debt service, creation of a debt service reserve fund, and to meet any other bond requirements.

New subsection (i) allows for the imposition of a related customer facility maintenance charge. These differ from CFCs as they are not debt related; they are collected to pay for the maintenance and operation of the facility. Thus, they will cover major repairs, on-going maintenance, utilities and insurance among other expenses. This will prevent the facility from becoming an operational liability to the department while occupied by the RACs in operation; and will ensure that a major repair fund is maintained so that when the state takes sole custody of it in 30 years, there are enough funds to undertake major repairs and allow the facility to be used for its real economic and physical life.

Section 3. AS 37.15.410 allows for issuance of revenue bonds for international airport improvements. The 2001 amendment clarified that CFCs are not considered revenues of the state for the purpose of these revenue bonds. This amendment clarifies that customer facility maintenance charges are not considered revenue of the state for the purpose of these revenue bonds.

Section 4. AS 37.15.430(a) creates the "International Airports Revenue Fund" into which airport revenues are paid. The 2001 amendment clarified that CFCs are not considered revenues of the state for the purpose of these revenue bonds. This amendment clarifies that customer facility maintenance charges are not considered revenue of the state for the purpose of these revenue bonds.

Section 5. AS 37.15.430(c) had been added by the 2001 amendment to clarify that CFCs should be remitted to the bond trustee and not the state. This amendment clarifies that the CFC is not charged to customers, it is collected from them pursuant the order imposed by the commissioner, and further clarifies that the customer facility maintenance charge is remitted directly to a third party rather than the state.

Alamo National

An Independent Alamo Rent-A-Car
and National Car Rental Licensee

January 28, 2005

Rep. Tom Anderson

State Capitol Room 408

Juneau, Alaska 99801-1182

Dear Rep. Anderson,

Sponsor Statement

This bill should pass to implement a valuable private market tool to construct improvements to Alaska airports, without the expenditure of public funds. This will improve the amenities provided to the traveling public, both Alaskan and non-Alaskan alike.

Purpose

This bill provides a mechanism, customer facility charges or "CFCs," to improve airport facilities without the expenditures of state funds. The most common projects that CFCs are used to fund are car rental facilities. The bill will also provide a revenue stream to maintain and operate the facilities, without requiring an increase in the airport operating budget as the cost of maintenance will be paid for by the related customer facility maintenance charge.

Background.

In 2001, the legislature passed chapter 99 SLA 2001, which authorized the imposition of customer facility charges to fund the construction of improvements on airport properties.

CFCs have been imposed by many other airports in the country as a means of funding car rental facility improvements. A private bond market has developed which is willing to rely solely on the revenue stream provided by CFCs collected from car rental users to issue bonds which are in turn used to construct the project. No state credit is pledged to support the bonds. Dallas-Fort Worth and Denver are two examples out of many where CFC's have been used successfully to build these facilities.

907-243-3138
fax: 907-243-3103
Alaska Sales & Services, Inc.
P.O. Box 203207
Anchorage, AK 99502

A private industry initiated project, sponsored by the local on airport car rental companies, ("RACs") is in the process of undertaking a similar project at TSAIA airport. Although the project was delayed by the events of 9/11, it is now moving ahead. During negotiations with the state over the implementation of the project, bond counsel identified certain issues with the language set forth by ch. 99 SLA 2001, which they felt should be clarified to ensure that the bonds would be marketable.

Those issues essentially revolve around clarifying that the new revenue stream generated by the CFC would not be considered revenue of the state when the bond is a private initiative and ensuring that the bond trustee, not the state, takes custody of the funds. Without that clarification, bond counsel was concerned that the 2001 language did not adequately clarify that the CFCs were not revenues of the state for the determination of whether they would be subject to pre-existing airport bonds. The definition of what bond related purposes the CFCs could be applied to will also be clarified to include debt reserve funds, and other bond underwriter requirements.

Because the facility will revert to the state in its entirety at the end of the term, it was also decided that it would be appropriate to allow the imposition of a customer facility maintenance charge to ensure that the facility is well-maintained and kept up appropriately. The charge also avoids any impact on the airport's operating budget as the airport will not be responsible for the maintenance and repair of the facility while under RAC control. This authority needs to be set separately from the CFC again for the protection of the bond holders.

Sectional Analysis:

Section 1. The language that was added in ch. 99 SLA 2001 to AS 02.15.090(a) is being moved into a new subsection (h) for clarification purposes.

Section 2. This adds a new subsection (h) to AS 09.15.090 which now becomes the operative stand alone section allowing for the collection of customer facility charges ("CFCs). It allows the commissioner of DOT/PF, by contract or order to set the CFC, to require the car rental companies to collect the fee, and to adjust the CFC to meet debt service obligations that might be required or desirable as car rental traffic increases or decreases over time; these are carry-overs of existing law. The new language clarifies that the CFCs will be remitted to the bond trustee and not the state when the state did not issue the bonds. CFCs will still be used to repay the bond or other indebtedness incurred for the project. However, the definition of what types on indebtedness could be paid has been broadened to include debt service, creation of a debt service reserve fund, and to meet any other bond requirements.

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Thank-you in advance for your support.

Sincerely yours,

James Polyetko
General Manager
National Alamo Car Rental
Anchorage International Airport

Donald R. Fonte
Director, Government Relations

The Hertz Corporation
225 Brae Boulevard, Park Ridge, NJ 07656
Telephone: (201) 307-2759

February 1, 2005

Representative Tom Anderson
State Capitol Room 408
Juneau, AK 99801-1182

Dear Representative Anderson:

I am writing on behalf of The Hertz Corporation ("Hertz") in support of HB 115. This bill would allow a consolidated rental car facility to be built and operated at the Ted Stevens Anchorage International Airport (the "Airport") with private rather than public funds.

This legislation, together with Ch. 99 SLA 2001, will provide access to the capital markets that will allow significant infrastructure improvements at the Airport without public expenditure.

In 2001 the legislature enacted Ch. 99 SLA 2001 to authorize the imposition of customer facility charges that would be used to support capital improvements at the Airport, however under the statute there was ambiguity whether the charges would be treated as the revenue of the State that may be subject to its pre-existing revenue bonds. Such ambiguity will likely hurt the marketability of the bonds, or at a minimum, increase the financing costs due to the inherent risk in such ambiguity.

This bill would clarify that proceeds of the customer facility charges would not be considered revenue of the State when the State does not issue the underlying bonds. No state credit would be pledged in such bond issuance. In addition, HB 115 permits the use of customer facility charges to pay for the maintenance of the consolidated rental car facility as such facility will revert to the State upon repayment of the original construction bonds. These proposed changes would ensure that, among other things, a valuable capital project would be completed and properly maintained at the Airport, at little or no risk to the State.

Hertz believes that HB 115 offers an effective alternative for financing the construction and maintenance of a consolidated rental car facility without burdening the State's treasury.

For the foregoing reasons Hertz respectfully requests that the legislature approve this legislation.

Sincerely,

Donald Fonte

Donald R. Fonte

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Breaking News

Houston Consolidated Facility to Open Aug. 7

July 28, 2003

HOUSTON – Mayor Lee P. Brown was among the celebrants at a July 18 ribbon-cutting ceremony for the new $135 million consolidated rental car facility at George Bush Intercontinental Airport (IAH). The facility is scheduled to open to the public Aug. 7.

The facility will centralize the operations of nine on-airport rental operators. A common bus system, using low-emission clean diesel vehicles, will replace the individual operator shuttles. According to the airport, the project will reduce the number of rental shuttle buses from 126 to 23 during peak periods.

The two-level facility sits on a 140-acre site on the east side of John F. Kennedy Blvd. An additional 60 acres are available for future expansion.

"IAH joins the first wave of airports that have decided to tackle the challenges of traffic congestion and reducing emissions," Mayor Brown said. "This facility is also user-friendly and offers superior customer service to Houston's visitors."

The project includes a 30,000-square-foot four-bay bus maintenance facility, along with a 3,500-square-foot tilt wall bus wash and fueling station with a 20,000-gallon underground fuel storage tank.

The Morganti Group Inc. and Champagne-Webber Inc. were the general contractors for the consolidated facility.

Special facility bonds will finance the project over a 25-year term. A $3-per-day customer facility charge will cover the debt service. The customer facility charge is the sole guarantee of the debt service payments.

The consolidated rental car facility is part of the airport's $2.9 billion expansion and renovation plan scheduled for completion by 2005.

CAR RENTAL NEWS

Untangling Snarls in Planning and Negotiating for Consolidated Rental Car Facilities

By: Carol Ward

As more and more airports explore how to free up valuable terminal space and eliminate much of the congestion and smog that plague their roadways, the concept of consolidated rental car facilities has surfaced as among the best solutions. These facilities, usually located on-airport but away from the terminals, achieve both goals, and often have the added benefit of increasing revenues for airports.

Thus far, consolidated rental car facilities are up and running in seven U.S. airports, and at least 13 more have plans on the drawing board. While industry executives say smaller airports will not be able to support a full-fledged facility, consolidating rental car sites can be beneficial to larger airports, the rental companies, and the traveling public.

"In the right circumstances, these projects are a win-win for the airport, the customers and the rental car industry," says Joe Waller, senior consultant for Landrum & Brown. "It will increase the airport's revenues, in many cases improve customer service, provide a very competitive rental car market for the customer, and provide the rental car companies with state-of-the-art facilities that allow them to grow their businesses."

These are all favorable benefits once a facility is up and operating. But, getting to that final phase requires a solid planning and negotiations process, which can be overwhelming for airports accustomed to dealing individually with rental car companies with relatively short five- or ten-year leases. Because of the magnitude of such projects, which typically cost $100 million or more, the airport issues bonds to pay for construction. The length of the lease with the rental car company often, but not always, coincides with the length of the bond. Thus airports are working with 15-25-year leases.

"With the consolidated facilities you're getting into 15 years or more," says Susan Warner-Dooley, managing consultant with John F. Brown Company. "Several airports have built in a provision that gives the airport the right to increase the percentage fee (typically 9-10%) after a set number of years. They look at the top 10 (airport) rental markets and see what they're charging, so to the extent that group is able to increase fees, then it allows for adjustment."

Most airports operating consolidated facilities thus far have had their rental car contract lengths coincide with the length of the bonds. However, Warner-Dooley says it's not a prerequisite. "It's just like for airport bonds, where you don't have to have an airline agreement for as long as

Rent-a-Car Facility located at the South End of the Dallas-Ft. Worth International Airport

Dallas-Ft. Worth International Airport

Ongoing/Completed Consolidated RAC Projects

the bonds," she says. "You previously had to, but not anymore because there is market demand. In some of the rental car deals it's not required because of the belief that even if these players go away, new players will come in to service that demand."

Bonds are paid back primarily through customer facility charges, which generally range from $1-$4 per day, depending on the airport, although some are charged on a per-transaction basis.

Prospect for Change Built Into Contracts

Term length is just one of many issues that come up in the lease negotiations for consolidated rental car facilities. But especially because of the length, airports need to make sure the lease documents can withstand vagaries in the market place.

At Houston Intercontinental (IAH), for example, where a new facility is expected to open year-end 2002, the leases allow for changes throughout the 25-year term. "In that 25 years there are a lot of modifications that can be made as far as reallocating space," says Sally Bradford, senior staff executive to the director and one of the airport's key negotiators. "It was done by a formula, which is different for garage spaces versus space in the customer service area. It is very easy to change numbers of spaces in the garage, but it's more difficult when you have to start moving physical walls in the customer service area."

Changes can also be made at San Francisco International (SFO), where a 25-year lease began on December 30, 1998. "The airport can reevaluate every year, and if the market share (of the carriers) changes in either direction by 5% or more, then we will reallocate the ready-stall space, but only that space, not the office (including counter space), administration or QTA areas," says David Dunn, rental car manager at SFO. Other airports have made similar provisions, allowing for changes in market share and the possible addition of new companies.

Airport executives who have been through the lease negotiation process say there are several other issues to contend with, not least of which is the in-fighting among the rental car companies themselves. As consolidated facilities become more common, it's likely that many car rental groups will approach negotiations with many of the issues ironed out, but those at the forefront weathered some difficult challenges.

Multiple Operators can be Co-mingled

"One of the biggest challenges we had in our negotiations was being the mediator among 10 or 11 competitors, and having to come up with a facility that met everyone's needs, both the largest companies and the smallest companies," says Tracy Thompson, vice president of airport real estate at Dallas-Fort Worth International Airport (DFW).

"You're dealing with companies that are very competitive with each other, and having to come to an agreement on each item, with them negotiating really as one, is in itself a unique experience," says Bradford. Houston, like Dallas, brought the rental car companies in early and allowed them significant input on the design and operation of the facility.

"When we went into this project, we really felt...that it was important to design a facility that the rental car companies had bought in on," says Bradford. "We felt like they were the experts on operational issues for their customers." She adds, however, that consensus among the companies was sometimes difficult to reach. "We kind of sat on the sidelines and let them fight it out," she says.

That is something that may be particularly difficult at Miami International (MIA), where airport executives are in the early design stages for a consolidated rental car facility. The airport has 22 rental car companies signed on for its facility, and plans to accommodate all of them. That compares to an average of 8 to 12 companies at other airports.

"It's not normal," agrees Myra Bustamante, MIA's assistant aviation director for business. "It's going to be a challenge. We have 10 or 11 very small local companies, and we have to balance how to give them enough space to be effective alongside the larger companies. We are trying to figure out how to co-mingle them. There are a lot of challenges coming up because of the number of participants."

The record response at Miami was due in part to the fact that much of the area surrounding the airport has been condemned, and rental car companies are being forced to move elsewhere.

Airports can also choose whether to draft all the contracts the same, or to negotiate individual contracts with each rental car company. At Houston International (IAH), for example, the deal was negotiated with the companies as a group. "They all have exactly the same concession agreement, there is just a different name on it," says Bradford.

At SFO, however, the airport was required to conduct a competitive bid process, with eight companies granted space in the facility. "The highest bidder got to choose their counter location and what level their ready-stalls would be located on," says Dunn. "But the highest bidder only got their percentage of the then-current market share."

Warner-Dooley says the competitive approach has some companies over-bidding to ensure their spot in the facility.

"Sometimes companies on the margin will bid a higher minimum annual guarantee just to get in," she says. "They can't do it too often, but at select airports they will sometimes way overbid, just to make sure they get in."

In general, concessions fees for rental car contracts range from 9-10% of gross revenues.

Common Busing Cuts Congestion

One of the key reasons airports are opting for consolidated rental car facilities is the desire to cut down on congestion and pollution in and around terminal buildings. "A consolidated facility can dramatically reduce the amount of traffic congestion in the terminal core, and that can have a significant impact on environmental conditions at the airport," Waller points out.

Similarly, airport executives say one of the key goals is to control the curbside areas and reduce congestion, and Dunn of SFO says bus traffic is down by about 50%.

Planning for a Consolidated Rental Car Facility

Financing:

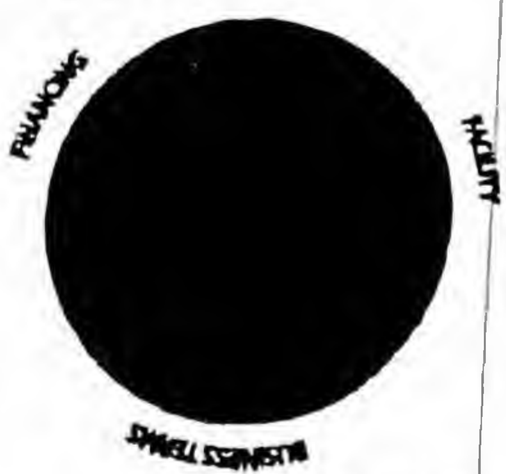
Airport financial plan
Debt capacity
Financing alternatives
Cost recovery methodology
Customer facility charge
Rents/Fees
Preliminary costs for design & planning

Facility:

Airport master plan
Available land
Traffic plan/impact
Curbside congestion issues
Sizing of facility
Competitive considerations
Layout/all locations
Future expansion/relocation
Common busing/or alternative transportation

Business Terms:

Concession and lease negotiations
Definition of gross receipts/percentage fees
Commitment to participate in facility/accommodation of new entrants
Level of participation in planning/design
Space allocation and reallocation Methodology
Operational standards term



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Consolidated rental car facilities use common buses, which pick travelers up at the terminals and transport them to the facility site. Also, some facilities are serviced by light rail from the airport terminals.

While congestion and pollution is down at those airports with consolidated facilities, transporting travelers from the terminals to the facility has sometimes been a challenge. Generally speaking, the car rental companies jointly contract out for the bus service, although the airport can choose to handle that chore.

Thus far, most rental car groups have chosen high-end buses which previously were operated primarily by higher-end rental car companies such as Hertz and Avis. One rental car executive complains that common busing doesn't allow for differentiation among the companies.

"A rising tide lifts all boats," he says. "Basically Hertz and Avis, who use high-end buses, insist in keeping the same (high end) type for common busing because they don't want to see the level of service go down. The other guys get to tag along..."

Dunn points out that common busing eliminates the constant stream of buses through the terminal area, which, with company names in bold letters on the side, provides invaluable advertising for the companies.

But a larger problem, at least in terms of customer satisfaction, is that many customers are accustomed to rental car facilities directly in the terminal, and they resent having to travel by bus or train to get their car. For travelers who have chosen to rent with a company not located in the consolidated facility, the frustration can be worse. Those customers must take the bus or train to the consolidated facility, then board a second bus to the company's off-airport location. Airports with a consolidated facility no longer allow any buses from individual rental car companies to offer curbside pickup.

Additionally, signage is crucial, especially in the early days of a new consolidated facility.

A side benefit to the facilities is that airport executives have identified a way to make some additional money from the facilities by providing enhanced customer service. Some feature concessions—most commonly snacks and beverages, newspapers and ATMs.

Dunn says SFO's facility offers all of the above. "Nobody is saying that a retail shop should go in, but there are certain amenities that when you're located away from the terminals you have to think about," he says. And it doesn't hurt the airport to gain another concession deal in the process.

We'd like to hear your opinion about this article. Please direct all correspondence to: Carol Ward at Carol@airportretail.com

Consolidated facilities promise to alleviate airport congestion, allow room for RAC growth, open the door for more competitors, and provide travelers with a simplified rental experience. Three years after its construction, the facility at Dallas/Fort Worth International Airport proves the point and provides valuable lessons.

By Albert Neal

Dallas/Ft. Worth's consolidated facility opened in March 2000. The airport board actively sought input from the car rental industry during the facility's development.

Back to t
olidated F

It was like a sit-down on *The Sopranos* — no one wanted to be there, but they had to or else. Anxious fingers massaged stubbled chins and tousled frosty bangs. Stacked files sat high like dinner plates. One RAC competitor sat across from the other, each with a different agenda. A $162 million project — a consolidated rental car facility — needed to be designed and constructed, but no one could agree on the details. Meanwhile, deadlines hung in the air like meat hooks.

OK, maybe the board meetings for Dallas/Fort Worth International Airport's consolidated rental facility weren't exactly like that, but they came awfully close. Craig Crawford, vice president of airport concessions at Dollar Thrifty Automotive Group Inc., was there so he should know. He describes the initial group of meetings as being more like World War III. Alliances had blurred, and everyone struggled to protect their own best interests.

"There were fights among the car rental companies about allocation, fights with the bond council on coverage requirements, and fights with the airport board over ground rents and infrastructure," Crawford says.

But the biggest, toughest battles were among the RACs.

"We wanted to know who was going where," says Crawford. "Who had the minimum space, what was the minimum that it took to operate versus allocating everything based on market share?"

At times the debates grew so heated that board members had to call timeouts. "Sometimes we simply couldn't agree as rent-a-car operators," says Crawford. "We had to be protected against ourselves."

But was it all worth it in the end? Was the consolidated rental facility built to the satisfaction of everyone involved? Are customers pleased with the results?

Three years after opening, DFW's consolidated facility project still provides some valuable lessons that continue to influence plans for future facilities.

the Future of Rental Facilities

Phase One: Strategic Planning

The rental car industry approached authorities at DFW Airport in February 1994 with concerns over space constraints in their airport facilities. The existing layout of the airport had two rent-a-car facilities serving the four terminal buildings. Hertz, Avis, National and Budget had their own counters, but there was no space available to accommodate additional companies. Dollar, Thrifty, Alamo, Enterprise and Advantage were authorized to serve the terminals, but operated off-airport. The airport facilities were 25 years old and inadequate to serve the rental customer volume.

Shuttle buses from the five off-site operations, as well as those located on airport, struggled to provide timely curbside service to car renters. Vehicle congestion had reached intolerable levels. Airline passengers experienced delays, and complaints to airport and rent-a-car personnel abounded. Building a consolidated rental facility was necessary for the expansion, evolution and efficiency of DFW International Airport.

Phase one of the design process developed during a series of monthly consultations. Through workshop-style meetings, planning consultants, architects and representatives from the airport board and car rental industry sat down and mapped out project goals.

"They brought us in very early on in the process," says Robert Bouts, vice president of properties at Cendant Car Rental Group. "They asked us for a lot of input on the location of the consolidated facility, its size, the transportation mode and how to design the facility to best utilize and meet the needs of car renters."

One of the main objectives was to replace the airport's two existing car rental facilities with a single location. The conceptual design contract for this leg of the project was awarded to Lockwood, Andrews & Newman Inc. (LAN) of Dallas. The design would need to accommodate up to 12 car rental tenants.

The design contract was awarded to Corgan Associates Inc. of Dallas. Airport authorities worked closely with the designers and architects to ensure that the new facility met quality and efficiency standards.

"We explored operational concepts ranging from consolidated individual facilities to single-floor and multi-story common structures," says Bob Blankenship, program manager at DFW Airport. "The two-story concept with segregated rentals and returns was demonstrated to be best for customer service. It was simple to understand, and there was no need to use vertical transportation with baggage."

Consultants were hired to conduct studies for the proposed facility. Among others, airport authorities called in Greiner Inc., a ground transportation consultant, to define the project and review possible sites. TransSolutions Inc. was also brought on board to evaluate the proposed common busing operation for the facility. Studies on road conditions and traffic volume were conducted as well.

"The project included a new roadway infrastructure to properly service the proposed site," Blankenship says. "Traffic studies were done to determine the proper capacity of these new roads as well as the impact of the RAC traffic on the existing roadways adjacent to the proposed site."

Before the consolidated facility opened in March 2000, Thrifty had no rental counter on airport at Dallas/Fort Worth. Neither did Dollar, Alamo, Enterprise and Advantage, which all served airport customers from off-airport locations.

To reduce curbside traffic congestion, there would be a single, common shuttle service transporting rental customers between the terminal and rental facility. Rent-a-car industry representatives negotiated control of the shuttle system and created a committee to oversee the operation. The committee consisted of several representatives from the rental companies, along with an airport board member. The committee eventually decided that shuttles would pick up rental customers every five minutes.

Marshall Fein, general counsel of Advantage Rent-A-Car, saw consolidation of the shuttle services as a crucial step. "There were probably about 150 buses run by the nine individual companies," says Fein. "When we went to the consolidated facility, that was reduced to 40 clean diesel, clean emissions vehicles."

One vital aspect of the initial planning phase was to make the facility as convenient for car renters as possible. Customer service was a priority.

Another priority was ensuring that the facility could accommodate inevitable growth spurts and changes in business volume. The design needed to be flexible so that new tenants could move in easily.

"To accommodate future growth, the west end of the building and parking structure can be expanded," says Blankenship. "The rental suites on level one can also be expanded into the courtyard area."

A curtain wall system, located between the common building and the parking structure, is flexible and designed to accommodate growth. The courtyard between the parking structure and the building provides

Project Timeline

February 1994: Car rental industry and Dallas/Ft Worth Airport agree to develop a new consolidated facility to replace split operations.

April 1994: Greiner Inc. (ground transportation study consultant) is directed to define the project and review possible sites

April 1995: LAN Inc in Dallas wins a contract to draw up a conceptual design, working with representatives from the four on-airport RACs (Hertz, Avis, National and Budget) and five off-airport RACs (Dollar, Thrifty, Alamo, Enterprise and Advantage)

March 1996: Plans are developed for a two-story facility organized with rentals on level one and returns on level two.

August 1996: Corgan Associates wins a contract for the design phase.

March 1998: GMax construction contract is finalized w Thomas S. Byrne Inc

April 1998: A $140 million bond sale closes for initial scope of work.

April 24, 1998: Facility construction begins

November 1998: A second $20 million bond sale closes for additional project elements.

February 2000: Major project components completed.

March 28, 2000: Facility opens to the public.

Major Project Components

Common Rental Building =	130,000 sq. ft.
• Level One Area =	71,000 sq. ft.
• Rental Counter Area =	32,700 sq. ft.
• Level Two Area =	59,000 sq. ft.
• Future Lease Areas =	21,000 sq. ft.
Parking Structure =	1,500,000 sq. ft.
Overflow Surface Parking =	166,000 sq. ft.
Bus Maintenance Facility Site =	6 acres
Bus Purchase =	40 Low-Floor Buses
Common Areas =	46 acres
Initial Service Sites =	74 acres
Expansion Areas =	50 acres

The project's financing featured a $140 million bond sale in 1998 and a $20 million bond sale in 1999. A customer facility charge repays the bonds.

the space for this expansion.

The car rental companies negotiated space allotment in the new rental center, with market share a primary consideration. The facility, however, also gave access to smaller operators and new entrants.

During the monthly meetings, airport officials and consultants distributed detailed progress reports to all involved in the planning stages, says Joe Olivera, executive director at Dollar Thrifty Automotive Group. "They were very informative considering this was new ground and a work in progress at DFW."

Phase Two: Financial Matters

James R. Bruce Jr., current director of aviation at Leo A. Daly, was project manager with Corgan Associates Inc. during phase two of the project. Bruce came aboard in August 1996 with Corgan to help refine and firm up design and construction budgets.

Bruce also defined two major project goals. Customer convenience was made a top priority. Moreover, Bruce was intent on ensuring that the facility design gave no competitive advantage to one operator over another.

For financing, DFW Airport authorities consulted with the Artemis Capital Group, the same company that developed the financing plan for Denver International Airport. Artemis Capital Group was later acquired by RBC Dain Rauscher, which handled the second bond issue.

Robb Madgett, vice president of properties for Hertz at the time, and Aimee Brown, then principal at Artemis Capital, approached the consolidation board and presented a plan that relied on the strength of the car rental business to secure a taxable bond sale.

The bond would finance the facility, and a customer facility charge (CFC) would repay the bond. Car rental customers would be charged $3 per day, which would pay off the debt service for a term of no more than 25 years.

How did the project planners arrive at the CFC amount?

"At the time the airport board agreed to let the project get underway, they had requested a $3 cap based on what we were looking at at the time and what we projected business to be in the future," Madgett says. "That was a comfortable figure that did not concern the industry, just a guideline that the board had set that they didn't want the CFC to exceed." A number of other airports — among them, Sacramento, Denver and Savanna, Ga. — had implemented similar CFCs.

The fee can rise or drop, depending on the number of annual transactions, says Brown. After the 9/11 terrorist attacks, the the board voted to raise the CFC to $4 because of the shrinking revenue.

The DFW rental facility project marked the first time that an airport used customer facility charges to secure financing, Brown adds. "In the past they were used as payments to make the debt service, but there was no other credit behind this financing. So this was the first of its kind and it was solely secured by fees."

Artemis divided the financing stages of the facility into two distinct parts. The initial stage of the financing, which took place April 1998, involved the first bond sale, which went for $140 million. In November 1999, a $20 million bond sale was granted for additional expenses, such as expansion of the parking structure, overflow parking lots, a bus tracking system, additional signage and various tenant improvements.

Artemis based its financing approach on a "pooled revenue concept," in which CFC revenues are pooled as security for a bond issue without credit enhancement. In other words, Crawford explains, the rental car transaction days were pledged behind the debt service. There were no guarantees or financial commitments by the airport or the rental car industry for payment of the debt service.

"The debt was guaranteed through the insured bond," says Madgett. "The rental car industry and airport had no debt obligation to retire the bond. They were insured to guarantee payment. They [the insurers] accepted the fact that there will always be a car rental industry in DFW and its projected growth made sense."

This approach worked especially well for the car rental industry because no particular rental company had to assume responsibility for the other if one left the market, says Crawford. "If Dollar, for instance, is in the market in Dallas and then chooses to leave, do we pick up our market and take it with us? No. It is simply redistributed among those that are left. There's real security to having it this way."

Facility Cost Overview

• Common Building	$18 Million
• Garage	$20 Million
• Parking Expansion	$ 7 Million
• Service Sites/Finish-Out	$42 Million
• Infrastructure	$35 Million
• Soft Costs (design, testing, inspection, fees)	$40 Million
• **TOTAL**	**$162 Million**
• Company-Funded Enhancements	$6 Million

Moody's, Standard & Poor's and Fitch all gave the bond a "triple-A" rating, making it attractive to potential investors, says Brown. "It was the first time that rating agencies had done such, which permitted the bond to be sold in the public markets."

The favorable bond ratings, coupled with the fact that MBIA had insured the bond, helped lower interest rates significantly. Also instrumental in securing the bond sale was a feasibility study for the facility.

"The feasibility study helped to show historical and current data as well as forecasts for rental car demand at DFW," says Tom Berger, then senior vice president at Arena. The feasibility study also addressed such concerns as the type of space needed at the facility and initial and future CFC levels.

The car rental industry naturally had misgivings about the CFC. Customers already had to contend with mounting taxes and surcharges. But there seemed to be no viable alternative agreeable to all parties.

"We're happy in the sense that we got new facilities," says Olivera. "We needed to provide better service, but deep down inside we're not ecstatic about passing these charges down to our customers. If the airports could find another way to pay for the facilities, we'd be more than happy to try it."

Phase Three: Design and Construction

Phase three of DFW's consolidated rental facility — design and construction — was a race against time that began two years before the groundbreaking ceremony in April 1998 and ended in February 2000, when the facility was ready for RACs to begin their move-in, training and setup.

In August 1996, Corgan began design development for the new facility. Brenda J. Stubel, senior project manager at Corgan, came aboard during phase two of the operation. Corgan was contracted by airport board members to work with them directly, but Corgan had responsibilities to service its clients as well. "We were asked to work with the rental car agencies as if our contracts were directly with each company. We considered them our clients," says Stubel. "That meant we had to define their program needs and apply them to the scope of this project."

Each rental company had a budget. Corgan was responsible for ensuring that RACs followed those budgets closely. RACs could go beyond the scope of the program, but only if they followed the basic design requirements defined by the airport.

"They could provide, out of their own funding, expansion of that program to enhance material selection or even expand the amount of square footage that the program budget was originally based upon," says Stubel.

Although each rental suite is defined through its own corporate signature, Corgan developed a design scheme that gave the service areas a sense of community. Selection of materials, along with common design elements, made this possible. Patterns in the facility's terrazzo floors, for example, were designed not only to create an image, but to create a sense of flow to help direct customers toward the rental counters.

"The curvilinear movement of the patterns in the floor occur all through the

The DFW rental facility project marked the first time that an airport used customer facility charges to secure financing.

Major Consolidated Rental Car Facility Projects

Complete	Under Construction	Planning Stage	Evaluation Stage
Albuquerque (3/01)	Ft. Lauderdale (12/04)	Atlanta (5/06)	Boston
Cleveland (6/98)	Houston (IAH) (5/03)	Baltimore	Burbank
Dallas/Ft. Worth (3/00)	Tucson (8/02)*	Washington (11/03)	Chicago O'Hare (2006)
Minneapolis (5/00)	Oakland Interim (6/03)	Chicago Midway (7/08)	Cincinnati (2007)
Ontario (1/98)		Ft. Myers (2005)*	Dayton (2006)
Sacramento (9/94)		Kansas City (12/05)	Memphis (2007)
San Francisco (1/99)		Las Vegas (2005)	Nashville
[illegible]		Miami (10/05)	New Orleans (2006)
		Oakland Permanent (7/05)*	Philadelphia
		Phoenix (2005)	Providence
		San Jose (2008)*	Salt Lake City
		Seattle (2004)	San Antonio
		Washington Dulles (2006)	

perimeter and give you a sense of motion," says Strobel. "So when you come into the building it gives you a sense of encouragement to start moving through the space to address the particular RAC that you're seeking." Ceiling patterns and materials reinforce this concept.

Various stages of the facility's design were still in development when construction began. Corgan Associates put together a "guaranteed maximum construction" (GMax) contract to get the project underway. A GMax construction contract comes into play when a contractor is selected before 100% of the construction documents are complete.

"A GMax process gets the contractor on board earlier so that you can take advantage of their expertise," says Bruce. "It's a package of scope documents upon which a contractor defines a budget."

Thomas S. Byrne was the general contractor that defined the budget for construction. Byrne worked with Corgan and the airport board to manage the construction process.

"About 98% of the work was subcontracted," says James Sims, superintendent for Byrne. "We were the general contractor, but we had about 45 to 60 subcontractors working on-site."

The construction schedule was based on a 22-month design and build process that the general contractor facilitated through fast-track packages.

"On fast track you commonly would release a foundation package early so that they can start digging for the foundation and ordering materials," says Bruce. "Once you've done that you've established the footprint of the building, but you haven't finished designing the building. So you have to have enough forethought to know what you're committing to."

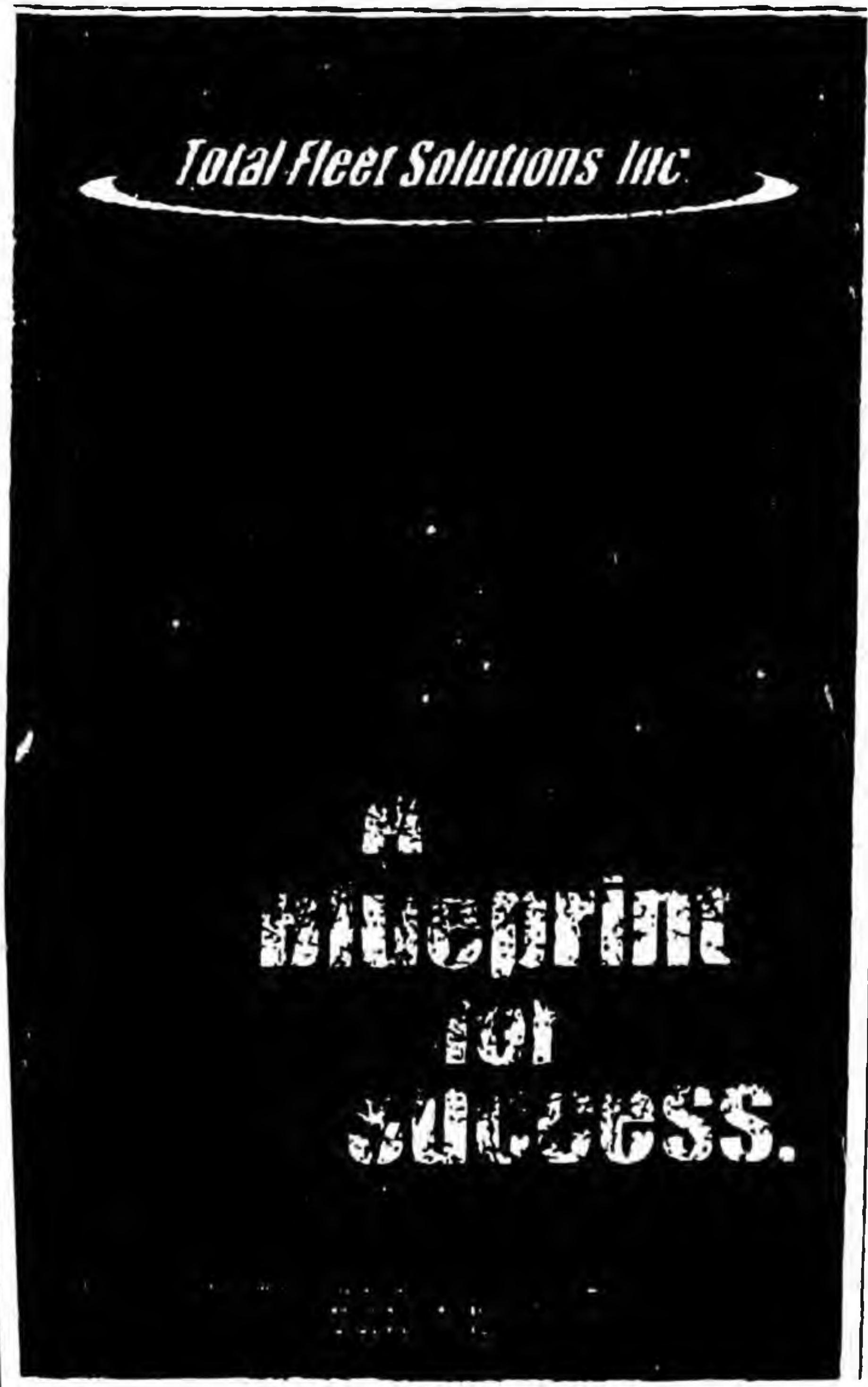
A total of 35 fast-track packages were issued to Thomas S. Byrne.

"The largest obstacle we had was scheduling," says Sims. "And that was because we had to work in 20-plus phases at one time. Our main concern was being able to put a schedule together that was feasible for all the contractors."

From site infrastructure to tenant finish-out, Byrne and a host of subcontractors worked diligently to complete the $162 million facility within the scheduled 22-month period.

"We probably averaged about 52 hours per week," says Sims. "Closer to the end of the project there was more overtime."

The consolidated facility opened to the public on March 26, 2000.



The Industry's Assessment of the Finished Project

Most rental companies agree that DFW's consolidated facility is a success. Generally, customers are satisfied with their service and operations run smoothly. But that doesn't mean the facility design has no pitfalls. Fortunately, some of those have been averted in more recent consolidated facility projects.

"I think Bob Blankenship did a great job at DFW," says Bosca. "But one thing they found out in the process, as they got closer to opening, is that the facility was undersized. You won't get unanimous agreement in the industry on that because if you're a very small company, cap size is a critical issue."

The size issue was remedied with the additional $20 million allocated midway to expand the project.

"The second thing," Bouta adds, "is Dallas has customers picking up the car on one level and returning it on another. On all the projects that we've moved forward on since, that's been eliminated."

Crawford agrees. "From an operation standpoint, the dual levels don't work very well because you can't cross-utilize the space," he says. "Although, from a customer standpoint, the split level is seamless."

"From an operation standpoint, the dual levels don't work very well because you can't cross-utilize the space. Although, from a customer standpoint, the split level is seamless."
— Craig Crawford, DTG

Ready and return stalls on the same floor are more effective, says Bouta. "There are times when you want to devote more of your time to customers picking up cars and others to customers returning cars," he says. "You lose that capability when your returns are on one level and your ready cars are on another."

The horseshoe shape of DFW's terminal also poses difficulties. "Buses aren't set up to work on a horseshoe-shaped curb, they're set up to run on a straight line," says Crawford. "You have to kneel these buses on the curbs all the time, and the wear-and-tear is terrible."

Rental customers have also complained about difficulty in finding the facility because of poor road and highway signage. Some suggest there should be more signs to direct renters to the facility and that the signs should be more specific and larger. The exit to the facility is south of the toll plaza, just before the ticket booths. Rental customers have missed the exit, forcing them to use the toll plaza, which charges a $2 fee.

Still, Bouta and others remain optimistic about consolidated facilities and the future of airport expansion. "There's a place for consolidated facilities and there'll be more of them as capacity returns to the industry," says Bouta. "I don't think they're the be all/end all solution for every single airport, only a phase. And there's definitely going to be something beyond consolidated facilities." ■

Thrifty Car Rental

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Representative Tom Anderson
State Capitol
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Juneau, Alaska 99801

Dear Representative Anderson,

The purpose of this letter is to inform you of my support of building a new parking garage for the car rental companies at the Ted Stevens Anchorage International Airport. The car rental companies serving the airport have very little covered parking and have long walks or have to wait for a shuttle bus ride to the terminal when returning their vehicles. All the companies at the airport receive complaints monthly on the existing layout. The complaints are less in the summer months that in the winter months when renters arrive to icy parking lots and snow covered cars.

The proposed rental car parking garage will be built using no state dollars. Our rental car customers will pay a fee to pay for the construction, operation and maintenance of the facility. This garage will give all the traveling public better parking at the airport. When the project is finished the rental cars will be moved out the existing garage so the local traveling public will have more garage parking spaces available for their short term parking needs. The airlines will not be affected by the new garage since the airport is not bonding or increasing its debt load to build the garage.

In Alaska, tourism continues to be one of few growing industries. Anchorage continues to be the year around regional hub of travel. This facility will give all eight rental car companies the ability to service the tourist arriving daily in quick and efficient manner. Our customer complaints regarding outside parking in Alaska in the winter months will vanish. The renters will remember Anchorage and Alaska as an easy and customer friendly place to visit.

My brother Darrell and I have been renting cars here in Anchorage since 1978. We have always provided the best customer service with new clean vehicles. We need this facility so we can raise the standards of service to meet customer expectations. The existing lack of covered parking falls short of customer expectations every time.

So I ask that you support and pass HB 115 24 for the future of tourism in Anchorage and Alaska.

Sincerely,

Craig W. Floyd
Vice President
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