



City of San Antonio

Legislation Details (With Text)

File #: 15-3691
Type: Capital Improvements
In control: City Council A Session
On agenda: 6/18/2015
Title: An Ordinance authorizing a standard lease agreement with the rental car firms to commence on the date the leased premises are turned over to the rental car firms for construction of tenant improvements and establish that the Customer Facility Charge will pay all debt service related to the project and ensure all bond requirements are met.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Shuttle Matrix, 2. Star Shuttle - CD Form, 3. RFCSP for Shuttle Operations, 4. CONCESSION AGREEMENT, 5. TranSystems Amendment, 6. Turner Amendment, 7. Lease Agreement, 8. Lease Exhibits, 9. Ordinance 2015-06-18-0546

| Date | Ver. | Action By | Action | Result |
|-----------|------|------------------------|---------|--------|
| 6/18/2015 | 1 | City Council A Session | adopted | Pass |

DEPARTMENT: Aviation

DEPARTMENT HEAD: Frank Miller

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Consolidated Rental Car Facility Project

SUMMARY:

On June 3, 2015, staff presented to City Council during “B” Session on the status of the Consolidated Rental Car Facility (CONRAC) at the San Antonio International Airport, including the following actions for City Council consideration:

A. An Ordinance establishing the Guaranteed Maximum Price (GMP) in the amount of \$129,500,000.00. This action will amend the Construction Manager at Risk contract with Turner Construction Company to a contract value of \$135,116,938.00.

B. An Ordinance amending the professional services agreement with TranSystems Corporation, Inc. for additional design services in the amount of \$334,092.00 to a contract value of \$12,334,092.00. The additional

design services include environmental services and construction administration services.

C. An Ordinance authorizing a standard lease agreement with the rental car firms to commence on the date the leased premises are turned over to the rental car firms for construction of tenant improvements. The agreement establishes the Customer Facility Charge (CFC) will pay the bond debt service and ensure all the bond requirements are met. It is expected to generate \$361,078.00 annually in ground rent.

D. An Ordinance authorizing a standard concession agreement with the rental car firms to commence on the date the facility is declared open, with a minimum guaranteed rent of \$3,250,000.00 per year.

E. An Ordinance authorizing an update to the standard Off-Airport Rental Car Permit for rental car businesses not located within the CONRAC to pick up and drop off customers without a concession agreement at the San Antonio International Airport. The Permit was last updated in 1998.

F. An Ordinance authorizing an appropriation of \$2,400,000.00 from funds set aside from the excess funds from the FY 2014 CIF Transfer for pavement and other improvements to the parking areas used during the construction of the facility.

G. An Ordinance amending the parking rate structure for the overflow parking area category to allow incremental parking rates: \$2.00 for up to one hour; \$4.00 for one to two hours; \$6.00 for two hours to three hours; and, \$8.00 three hours to 24 hours.

H. An Ordinance authorizing a contract with Star Shuttles, Inc. for temporary and supplemental shuttle operations in an amount of \$4,287,000.00, of which an estimated \$3,682,000.00 is estimated to be reimbursed by the Customer Facility Charge fund.

BACKGROUND INFORMATION:

In March 2012, City Council authorized the collection of a Customer Facility Charge (CFC) on rental car transactions at the San Antonio International Airport (Airport) to be used to finance a CONRAC. In February 2013, City Council authorized a professional services agreement with TranSystems Corporation, Inc. (TranSystems) and in the following May City Council authorized a Construction Manager at Risk (CMR) agreement with Turner Construction, Inc. (Turner).

Staff briefed City Council on three design concepts for the CONRAC at two “B” Sessions and one Infrastructure and Growth Council meeting. The concepts allowed for additional rental car brands beyond the current number and maintained the number of public parking spaces that would be displaced pending the design concept selected. On March 5, 2014, City Council supported staff’s recommendation for Option C which located the CONRAC in front of both terminals and included the replacement of the hourly parking garage.

The design for the CONRAC is at 100%. The facility is more than 1,800,000 square feet in size and includes seven levels - two levels for public parking, four levels for the rental car operations (storage, fueling, washing and maintenance of vehicles) and one level for the customer service area. The public parking levels have 1,403 spaces. There is space available for up to 13 rental car brands. A sky bridge will be installed to connect the customer service area to Terminal B. The program cost is \$165,600,000.00.

On June 3, 2015, staff briefed City Council during “B” Session on the following eight action items related to the CONRAC for City Council consideration:

Item A: Establishing the GMP and CMR Contract Amendment with Turner

In May 2013, City Council authorized Ordinance 2013-05-30-0352 for a CMR with Turner in the amount of \$105,000,000.00. The scope of work was the construction of a facility with a customer service area, rental car ticketing areas, ready/return areas, quick turnaround area (i.e. fueling/charging stations, vehicle wash facilities and light maintenance bays), public parking and other amenities such as commercial enterprises and passenger/employee services.

In March 2015, Turner advertised and solicited for sealed bids for the construction phase. Turner's outreach included posting plans with the Hispanic Contractors Association, Austin Black Contractors Association, iSqFt, Blue Book, Builders Exchange, Dodge Data & Analytics and others. The firm also attended the Bexar County Contracting Conference and Hispanic Contractors Association lunch. Turner received 134 bids.

The GMP is established at \$129,500,000.00 and requires the amendment of the CMR contract to a contract value of \$135,116,938.00.

Item B: Professional Services Agreement Amendment with TranSystem

In February 2013, City Council authorized Ordinance 2013-02-21-0019 for a professional services agreement with TranSystems in the amount of \$12,000,000.00. The additional design services include environmental services and construction administration services. The amendment is in the amount of \$334,092.00 and will increase the contract value to \$12,334,092.00.

Item C: Standard Lease Agreement with Rental Car Agencies

The lease is for the use of the CONRAC portion of the facility by the rental car operators. The agreement establishes a ground rent and requires the CFC collection and remittance to pay the bond debt service and ensures all bond requirements are met. The new CFC rate (per the Indenture of Trust) is \$5.00 per contract day beginning July 1, 2015, which will be collected and remitted monthly to the Trustee by the rental car firms for the City. The CFC will pay facility debt service, administrative costs, major maintenance, eligible routine maintenance, and other bond requirements. Each year, the City will analyze the CFC rate to determine if it is adequate to produce sufficient proceeds to pay debt services and the costs and expenses of the CONRAC in the next year. The CFC rate may be increased or decreased to a level that is adequate to pay all requirements but not generate excessive surpluses.

The agreement imposes a contingent fee on both the rental car operators and the City (for the public parking share) to provide sufficient additional revenue to remain in compliance with the Bond Documents when the CFC proceeds and Bond Funds deposits are forecast to be inadequate to pay when due all financial requirements of the Facility.

The agreement outlines the responsibility for maintenance through a CONRAC Manager hired by the rental car operators. Major facility maintenance will be performed by the City or operators and funded by the CFC. Routine Facility Maintenance will be responsibility of the rental car firms and is estimated at \$4 million initially, of which \$1.5 million is estimated to be eligible from CFC funds and the balance through the collection of a Facility Maintenance Fee.

The term of the agreement begins at the date on which the Aviation Director declares the CONRAC is open for business and can begin serve the public. The term will be a little over 20 years. The ground rent is \$1.00 per square foot and is expected to generate \$361,078.00 annually beginning when the CONRAC opens to the public. It will be escalated 15% every five years.

In May 2014, the City issued a Request For Interest (RFI) to determine which rental car brands were interested in participating in the CONRAC. Fifteen brands responded -- one brand was determined to be a marketing plan and is allowed through the contract while one of company pulled one of their brands out. The agreement is with eight operators representing 13 brands including Advantage, Alamo, Avis, Budget, Dollar, Enterprise, E-Z, Fox, Hertz, National, Payless, Sixt, and Thrifty. Each operator/family must also be party to the Concession Agreement and the Operators Member Agreement.

Item D: Standard Concession Agreement with Rental Car Agencies

City Council authorized an extension to the concession agreement with the agencies in Ordinance 2013-05-30-0360 to coincide with the opening of the CONRAC. This new Concession Agreement establishes a minimum annual guarantee (MAG) of not less than at \$250,000.00 per rental car brand. The percentage rent will be 10% of gross revenues and may be adjusted every five years. The concession fee shall be the greater of the MAG or the percentage rent.

The standard agreement also outlines the minimum concessionaire requirements to operate at the airport. The term of the agreement will commence on the day the facility is declared open for a little over 10 years with the option to renew for an additional 10 years.

Item E: Off-Airport Rental Car Permit

The Permit, approved by City Council in 1998, allows car rental businesses without concession agreements to access and use the airport for loading and unloading of airport patrons at designated locations. The update will allow the City to collect the CFC from these businesses without a concession agreement and later are not operating out of the CONRAC.

The update to the Permit also includes a new definition of Gross Revenues to match the definition in the lease and concession agreements with rental car firms both currently and later when the new concession agreement goes into effect. It also updates the information needed for the Permit such as proof of, and agreement to keep in force during the permit term, the insurance requirements under the terms of the Permit. There are no active Permits.

Item F: Parking Areas Improvements

With the replacement of the hourly parking garage, current and new parking areas need to be improved for customers, ground transportation operators and employees located at the airport. Funds were set aside from the FY 2014 CIF Transfer that exceeded the estimated transfer amount to fund the improvements to the parking areas and require City Council approval for appropriation. We are requesting the authorization of \$2,400,000.00 for the parking lot improvements. The improvements include pavement and IT work for four parking areas: green (the primary overflow parking area for customers), red (the lot that will open when the green lot becomes closer to full), orange (the lot that will serve the ground transportation industries) and purple (the lot for airport employees).

Item G: Parking Rate Structure

Under the Rules and Regulations for the San Antonio Airport System, the rate for parking areas defined as an overflow parking area have one rate -- \$8.00 per day. The Aviation Department would like to implement an incremental parking rate structure for this category: \$2.00 for up to one hour; \$4.00 for one to two hours; \$6.00 for two to three hours; and, \$8.00 for three hours to 24 hours. Incremental rates are currently applied at the primary parking garage facilities at the Airport.

Item H: Temporary and Supplemental Shuttle Service

This contract is for shuttle operations for the long term parking garage during the construction of the CONRAC

and supplemental shuttle service. The shuttle service cost was anticipated in the development of the project and some of the cost will be reimbursed by CFC services. This service will assist passengers with special needs (including the elderly and those traveling with children) and help the Airport maintain a high level of customer service during the construction phase of this project. Past experience of airport construction projects have illustrated passengers become frustrated even with additional signage and prominent media outreach. Lastly, the Airport has enjoyed a sharp increase in parking revenue as staff has worked to retain motorists from choosing to park at a private lot. By providing the same shuttle service that they would enjoy at a private lot, the airport is encouraging them to continue to utilize Airport parking.

The City issued a Request for Competitive Sealed Proposal for “Annual Contract for Temporary Busing Services” (RFCSP 6100005267) on January 30, 2015. The temporary busing services will provide transportation to travelers between the Long Term Garage and the terminals during the construction of the CONRAC. The contract will also provide supplemental busing services, as needed, to transport travelers between outlying lots and the terminals. One hundred forty eight bidders were notified. On March 13, 2015, the Aviation Department received three proposals.

The evaluation committee consisted of representatives from the City Manager’s Office, Aviation Department, Pre-K 4 SA, and Airport Advisory Commission. The Finance Department, Purchasing Division assisted by ensuring compliance with City procurement policies and procedures. The evaluation of each proposal was based on a total of 100 points: 40 points for experience, background, qualifications; 30 points for proposed plan; 15 points for price schedule; and 15 points for Small Business Enterprise Prime Contract Program. Based on the City’s standard RFCSP process, Star Shuttle, Inc. was recommended for award.

This contract will be awarded in compliance with the Small Business Economic Development Advocacy (SBEDA) Program, which requires contracts be reviewed by a Goal Setting Committee to establish a requirement and/or incentive unique to the particular contract in an effort to maximize the amount of small, minority, and women-owned business participation on the contract. The Goal Setting Committee applied the Small Business Enterprise Prime Contract Program with 15 evaluation preference points. This contract is an exception to the Local Preference Program. The Veteran-Owned Small Business Preference Program does not apply to non-professional service contracts, so no preference was applied to this contract.

The initial term of the agreement shall be for a period of two years. One additional one-year renewal, at the City’s option, will also be authorized by this ordinance.

ISSUE:

Items A and B: City Council approval is required to authorize the amendments to the CMR and professional services agreements.

Item C: City Council approval is required on lease agreements. This agreement also confirms that the CFC will collected and remitted to pay the bond debt service and ensure all bond requirements are met.

Item D: City Council is required to authorize concession agreements.

Items E and G: City Council approval is required for any amendments to permits and parking rate structures. The Permit will be updated for the first time since 1998. Item G will amend the Municipal Code to authorize an incremental parking rate structure for overflow parking areas at the airport.

Item F: City Council approval is required for appropriation in the amount of \$2,400,000.00 from the funds set aside from the excess funds of the FY 2014 CIF Transfer.

Item H: City Council approval is required for contracts over \$50,000.00.

ALTERNATIVES:

Items A and B: Should these amendments with Turner and TranSystems not be approved, the construction phase of the CONRAC project would not be able to start this summer. As a result, the project would be delayed and may require additional costs.

Items C and D: Should these agreements not be approved, the Aviation Department would not have the agreement of the rental car agencies to move forward with the CONRAC project. The agreements were developed over a year of negotiations which included the rental car agencies, Aviation staff and financial consultants as well as input from the Finance Department and the City's Financial Advisory and Bond Counsel. As a result, negotiations on new agreements could cause the project to be delayed.

Item E: Should the update to the Off-Airport Rental Car Permit not be approved, the City would be unable to collect and remit the CFC funds from those rental car firms that wish to pick up and drop off passengers without a concession agreement and the permit fees would be inconsistent with the on-Airport rental car operators.

Item F: Should the appropriation of funds not be approved, pavement and IT work would not be able to be completed and parking areas would not be ready for customers which would reduce the available parking spaces for passengers during the construction phase of the CONRAC.

Item G: Should the amendment of the parking rate structure for the overflow parking area category to allow incremental parking rates not be approved, customers would continue to pay a flat fee of \$8.00 per day.

Item H: Should this contract not be approved, the Aviation Department will not have the means to provide passengers safe access to and from the long term garage and the airport terminals during the construction of the CONRAC. In addition, when Aviation buses or drivers are out of commission, the necessary supplemental services would not be available to fill the gap. As a result, service could not be maintained at the desired level.

FISCAL IMPACT:

Item A: This is a one-time expenditure in the amount of \$30,116,938.00 to Turner. This action will increase the contract value to \$135,116,938.00 and amend the Airport Capital Budget.

Item B: This is a one-time expenditure in the amount of \$334,092.00 to TranSystems. The funds are budgeted and available in the Airport Capital Budget. This action will increase the contract value to \$12,334,092.00.

Item C: The ground rent is \$1.00 per square foot and is expected to generate \$361,078.00 annually beginning when the CONRAC opens to the public. It will be escalated 15% every five years.

Item D: The minimum annual guarantee (MAG) shall be no less than at \$250,000.00 per rental car brand beginning when the CONRAC opens to the public. This amount equates to \$3,250,000.00 annually for the 13

rental car brands. The percentage rent will be 10% of gross revenues and may be adjusted every five years. The concession fee shall be the greater of the MAG or the percentage rent.

Item E: There is no fiscal impact with this Ordinance.

Item F: This action will appropriate \$2,400,000.00 from the funds set aside from the Airport Improvement and Contingency Funds.

Item G: This action amends the parking rate structure for the overflow parking area category to allow incremental parking rates: \$2.00 for up to one hour; \$4.00 for one to two hours; \$6.00 for two hours to three hours; and, \$8.00 three hours to 24 hours.

Item H: This ordinance authorizes a contract for an amount of \$4,287,000.00. The annual contract amount is \$2,317,000.00 for Year 1, \$1,950,000.00 for Year 2, and \$20,000.00 for Year 3. Funds for proposed contract will be budgeted every Fiscal Year in the Airport Operations and Maintenance Fund. Of the \$4,287,000.00, an estimated \$3,682,000.00 (for the temporary shuttle service) is estimated to be reimbursed by the CFCs held by the Trustee.

RECOMMENDATION:

Staff recommends approving these Ordinances related to the CONRAC facility at the San Antonio International Airport.