



CITY COUNCIL STAFF REPORT

DATE: May 21, 2014

CONSENT AGENDA

SUBJECT: AMENDMENT NO. 1 PALM SPRINGS INTERNATIONAL AIRPORT CAR RENTAL AGREEMENTS A6110, A6111, A6112, A6113, AND A6114

FROM: David H. Ready, City Manager

BY: AIRPORT

SUMMARY

This action would allow for Amendment No. 1 to the existing car rental concession agreements at Palm Springs International Airport.

RECOMMENDATION:

1. Approve Amendment No. 1 to all five airport rental car concession agreements doing business as eight (8) car rental agencies for: Avis/Budget Car Rental, LLC; The Hertz Corporation; Enterprise Rent-A-Car, LLC d/b/a Alamo/National Car Rental; Enterprise Rent-A-Car Company of Los Angeles, LLC, and Dollar/Thrifty Rent-A-Car; for a term of three additional years.
2. Authorize the City Manager to execute all necessary documents as required.

STAFF ANALYSIS:

The car rental concession program at Palm Springs International is the largest of all airport revenue sources. With the continuing record passenger traffic being realized, car rental revenues have reached reciprocating record amounts and rental transactions are approaching 200,000 per year. The agreement for this concession, which is identical for all operators, is set to expire June 30, 2014.

Historically, the airport has always instituted a five-year term for this concession, however, under this existing agreement which is due to expire June 30th, the term was set for three years only because of anticipated major car rental improvements initiating construction near the end of this time frame. Because these improvements are still undergoing the environmental review processes, the car rental stakeholders unanimously agreed to an extension of the existing agreement with another three-year extension. This three-year period is projected to be a sufficient amount of time to complete the airport master plan improvements. A new car rental bid process would

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then be conducted prior to the end of this term, around the early 2017 timeframe, and include the new facility improvements with new rates and charges. Many airports, including Los Angeles LAX Airport, have extended their car rental agreements in the same manner.

The agreement amendment considered in this action would provide for a continuance of the existing agreement through June 30, 2017, and incorporate a minor modification to the fee formula as described the next section.

FISCAL IMPACT:

The rental car concession fees at PSP Airport are consistent with the industry practices and calculated using the greater of either a minimum annual guarantee or 10% of gross revenue. In addition to this base fee, there are fixed rents charged to each of the firms depending on the amount of space they occupy and facilities they utilize. The comparison below enumerates the current revenue levels guaranteed to the airport and the fixed rents paid by the car rental companies operating at Palm Springs International Airport.

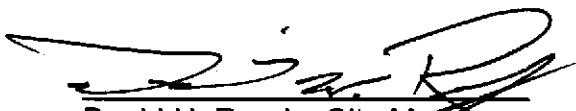
	<u>Current MAG</u> (Minimum Annual Guarantee)	<u>New Formulation</u>
1.) Hertz	\$1,083,900	\$1,258,137
2.) Avis/Budget	\$1,080,000	\$1,436,173
3.) Dollar/Thrifty	\$ 951,000	\$ 754,222
4.) Alamo/National	\$ 870,456	\$ 907,443
5.) Enterprise	<u>\$ 868,123</u>	<u>\$ 705,052</u>
Total	\$4,853,479	\$5,061,027

<u>Rental</u>	<u>Current</u>	<u>Increased</u>
Terminal Rent	\$41.18s.f.	\$46.70s.f.
Service Facility	\$ 0.77s.f.	\$ 0.87s.f.
Ready Spaces	\$1,235.70	\$1,400.00 per stall annually
Overflow Spaces	\$ 1.30	\$ 1.50 per space, daily

The new contract amendment includes a three-year term from July 1, 2014 through June 30, 2017 with an adjusted revenue formulation projected to generate an additional \$250,000 in revenue to the airport for the first year, and continued revenue growth over the following two years.



Thomas Nolan, Executive Director



David H. Ready, City Manager

Attachment: Lease Amendment No. 1

AMENDMENT NO. 1 TO LEASE _____
_____ CAR RENTAL, LLC
OPERATING AND LEASE AGREEMENT
FOR OPERATION OF A CAR RENTAL CONCESSION
AT PALM SPRINGS INTERNATIONAL AIRPORT

THIS AMENDMENT NO. 1 TO LEASE # _____ is made and entered into this first day of July 1, 2014, by and between the CITY OF PALM SPRINGS, a charter city and California municipal corporation ("City"), and _____ ("Tenant") a _____ corporation. City and Tenant may hereinafter be referred to individually as a "Party" and collectively as "Parties".

RECITALS

WHEREAS, on July 1, 2011, City and Tenant entered into that certain lease with _____ Car Rental LLC for rental car concession services ("Agreement"), for Tenant's lease and operation at Palm Springs International Airport ("Airport"). As more specifically described in the Agreement;

WHEREAS, the parties wish to amend the Agreement pursuant to the terms of Amendment No. 1 as follows;

AGREEMENT

NOW THEREFORE, in consideration of the City's covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and Tenant mutually agree as follows:

Premises: Each rental car agency shall retain the existing rental location for customer ticketing and transactions along with vehicle maintenance buildings and adjacent vehicle storage. Ready and return car spaces will be subject to existing terms and conditions of the Lease Agreement.

Term: Commencing on the Effective Date through June 30, 2017.

Early Lease Termination: The tenant is advised that the Airport is planning to construct a new rental car center or to substantially renovate the existing rental car center, and such construction or renovation will impact the Airport's ability to manage the rental car facility. The City Manager, in his sole discretion, has the authority to terminate the Lease during the term if (a) the construction of the new rental car

center is substantially complete prior to June 30, 2014 or (b) the rental car facilities renovations requires a relocation of the Tenants. In the event the City Manager exercises this early termination, the Airport shall meet and confer with representatives from each rental car concession and provide Tenant a six month written notice of the early termination and a transition plan for comparable space to conduct the rental car concession services.

Rental Rate Adjustment: Commencing for the term of this agreement:

<u>Current</u>	<u>Effective July 1, 2014</u>
\$41.18 s.f.p.a. Terminal Rent	\$46.70 square foot per annum
\$ 0.77 s.f.p.a. Service Facility	\$ 0.87 square foot per annum
\$1,235.70 per Ready Parking	\$1,400.00 per stall annually
\$1.30 Overflow Parking Spaces	\$1.50 per day

Effective July 1, 2014 and annually thereafter, the minimum annual rent shall be automatically adjusted to the greater of either (a) or (b) immediately below, to be paid monthly:

- (a) Ninety Five percent (95%) of the prior year's 10% gross revenue figure. Based on the annual revenue from June 1st through May 31st of the prior year.
- (b) Ten percent (10%) of gross annual revenue as defined in the current agreement.

Full Force and Effect: Except as expressly modified herein all other provisions of the Agreement shall remain unmodified and in full force and effect.

Corporate Authority: The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are dully authorized to execute and deliver this Amendment on behalf of said party, (iii) by so executing this Amendment, such party is formally bound to the provisions of the Amendment, and (iv) the entering into this Amendment does not violate any provision of any other agreement to which said party is bound.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first written above.

ATTEST:

CITY OF PALM SPRING
a municipal corporation

By: _____
City Clerk

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

CONTRACTOR: Check one: ___ Individual ___ Partnership ___ Corporation

Corporations require two notarized signatures: One from each of the following: A. Chairman of Board, President, or any Vice President; AND B. Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.

By: _____
Signature (notarized)

By: _____
Signature (notarized)

Name: _____

Name: _____

Title: _____

Title: _____

State of _____

State of _____

County of _____

County of _____

On _____ before me, _____

On _____ before me, _____

personally appeared _____
who proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s)
is/are subscribed to the within instrument
and acknowledged to me that he/she/they
executed the same in his/her/their authorized
capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s),
or the entity upon behalf of which the
person(s) acted, executed the instrument.

personally appeared _____
who proved to me on basis of satisfactory
evidence to be the person(s) whose name(s)
is/are subscribed to the within instrument
and acknowledged to me that he/she/they
executed the same in his/her/their authorized
capacity(ies), and that by his/her/their
signatures(s) on the instrument the person(s)
or the entity upon behalf of which the
person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY
under the laws of the State of California that
the foregoing paragraph is true and correct.

I certify under PENALTY OF PERJURY
under the laws of the State of California that
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

WITNESS my hand and official seal.

Notary Signature: _____

Notary Signature: _____

Notary Seal:

Notary Seal: