

Concession and Lease Agreement for the Consolidated Rental Car Facility

Trade, Travel and Tourism
September 4, 2018

Background of Rental Car Market and ConRACs

- LAX is the second-largest airport rental car market in the U.S., behind Orlando International Airport
- Southern California represents the largest rental car market in the world
- 13 of the top 15 airports have either opened or are in pre-development stages of constructing a Consolidated Rental Car Facility (ConRAC)

Rank	Airport	ConRAC Facility	Estimated Site Acreage*	CY 2017 enplanements **
*1	ATL, Atlanta	Yes	67	50,251,962
2	LAX	Under Development	67	41,232,416
3	ORD, Chicago O'Hare	Yes	33	38,593,028
4	DFW, Dallas/Fort-Worth	Yes	125	31,816,933
5	DEN, Denver	No	n.a.	29,809,091
6	JFK, New York	No	n.a.	29,533,154
7	SFO, San Francisco	Yes	22	26,900,016
8	LAS, Las Vegas	Yes	68	23,364,185
9	SEA, Seattle-Tacoma	Yes	23	22,639,120
10	CLT, Charlotte	Yes	23	22,011,225
11	EWR, Newark, New York	Recently approved	n.a.	21,571,194
12	MCO, Orlando	Yes	39	21,565,444
13	PHX, Phoenix	Yes	120	21,185,440
14	MIA, Miami	Yes	20	20,709,205
15	IAH, Houston	Yes	190	19,603,729

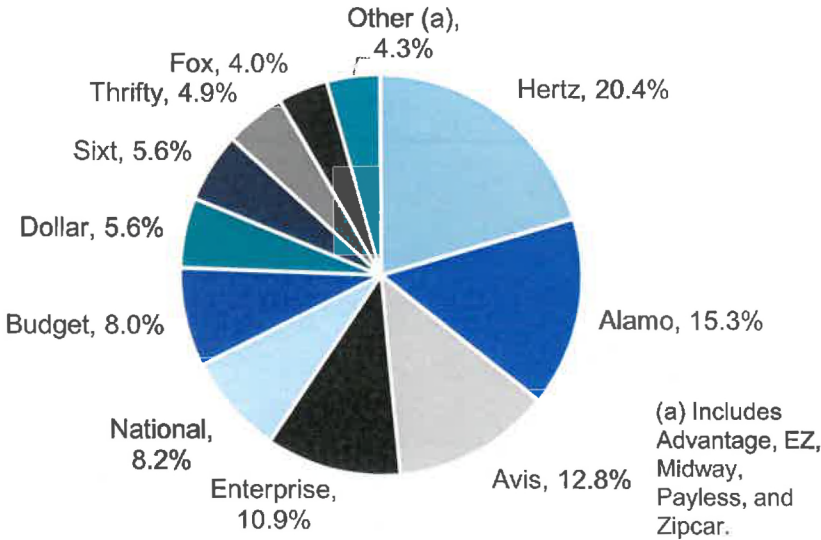
* Estimate only based on review of airport websites, news articles, official statements, and industry presentations.

** Source: Preliminary FAA reported data. LAX results are shown using FAA data for consistency with data reported for other airports.

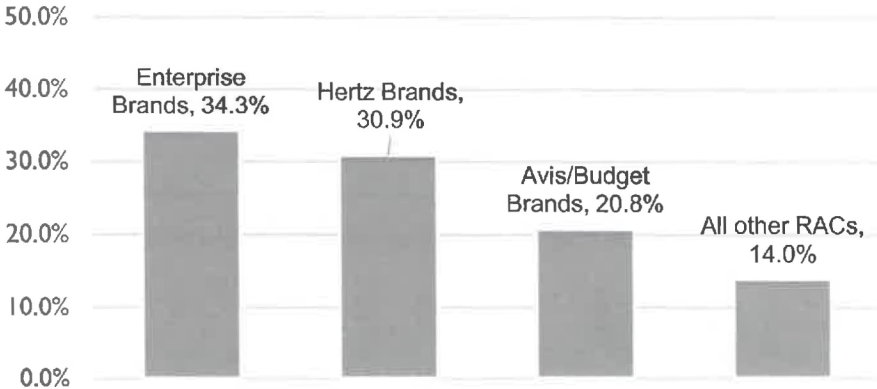
Background of Rental Cars at LAX

- 14 rental car brands are authorized to operate “on-airport” at LAX
- Through industry consolidation, many brands share common ownership
- Rental car locations are remote and decentralized, requiring 8 independent busing systems to access the CTA, generating over one million annual bus trips
- Under the proposed Agreement, rental car companies (RACs) will operate from the ConRAC, with customer access via the APM

Market Share by Brand
July 2017 – June 2018



Market Share by Brand Family
July 2017 – June 2018



LAX ConRAC

- ConRAC includes various functional areas, determined through a two year planning process with the industry
- Facility interfaces with the APM, eliminating need for RAC-operated shuttles
- Elimination of rental car shuttles in the CTA will reduce traffic congestion, improving the overall guest experience

LAX ConRAC – Generic Rendering



ConRAC Functional Areas

- Ready/Return Area
- Vehicle Storage Area
- Quick Turnaround Area
- ConRAC Employee/Visitor Parking
- Customer Service Building

Concession and Lease Agreement - Major Terms

Term

- 20 years from ConRAC opening, plus one 5-year option exercisable by LAWA or automatically by meeting certain transaction day targets
- LAWA may terminate if construction not started by 2021 or State suspends/reduces the Customer Facility Charge (CFC)

Premises and Reallocation

- Premises initially allocated to RAC's based on 2016 gross revenue market share, and will be reallocated on a defined frequency (e.g., 5 years)

Redesignation of Vehicle Storage Area (VSA)

- LAWA may redesignate up to 100% of the VSA to non-RAC uses in phased intervals and increments if RAC transaction day targets are not met

Future Ground Transportation Policy

- LAWA committed to imposing a transportation fee on off-Airport RAC's for customers use of APM; fees to be established by LAWA
- RACs to participate in formation of LAX ground transportation policy, through meet and confer process

Concession and Lease Agreement - Major Terms

Payments

- Concession fee (existing)
- CFCs (existing)
- Ground rentals (new)
- O&M Fee (new)
- CTS payments (new)

Tenant Improvement Fund

- LAWA to make available up to \$30M for tenant improvements
- RACs to repay in the form of rent, inclusive of interest

CFC Revenues

- RACs to collect and remit all CFC's to LAWA
- CFC revenue to pay (1) milestone payments to ConRAC Developer, (2) annual ConRAC capital costs, and (3) any remaining CFCs plus APM contributions to pay up to 41% of APM costs

RAC Contribution to APM Costs

- RAC contribution to APM increases annually by 2.5% per year, and is subject to a maximum one-time increase of up to 40% in year 11 if transaction targets are not met

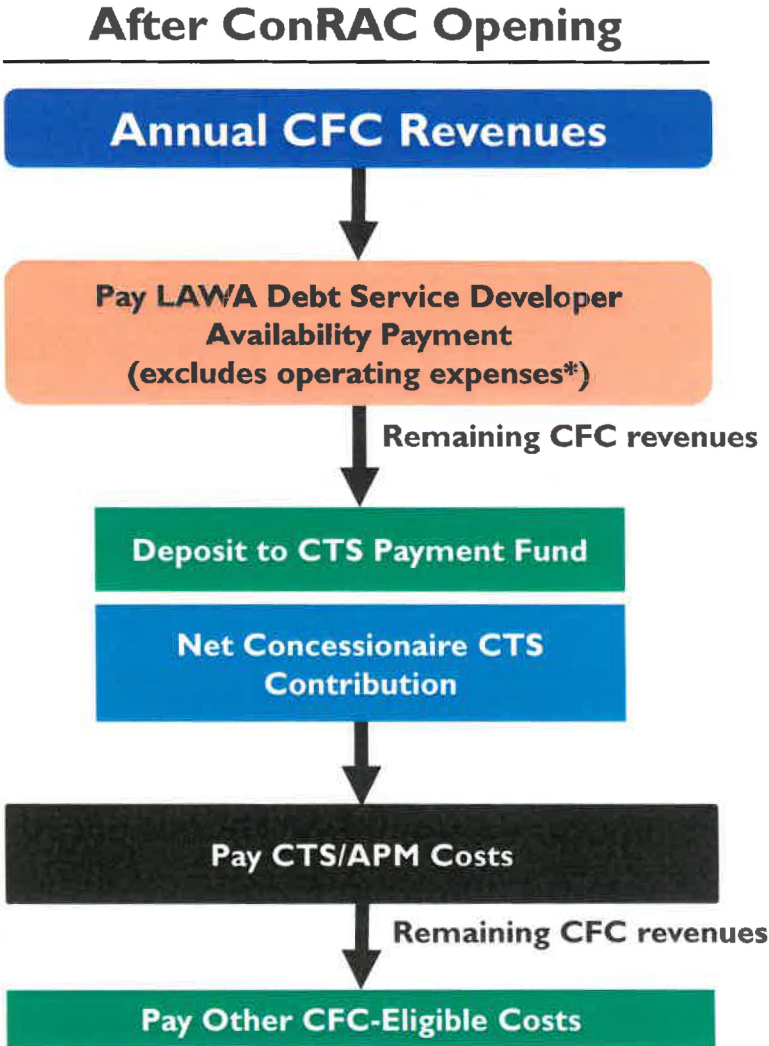
Flow of CFC Funds

Prior to ConRAC Opening

- CFC revenues will be used to make milestone payments to the ConRAC Developer and to fund certain other costs

After ConRAC Opening

- Pay annual ConRAC capital costs and use any remaining CFC revenues plus Concessionaire CTS/APM Contributions to pay up to 41% of CTS/APM system operating and capital costs

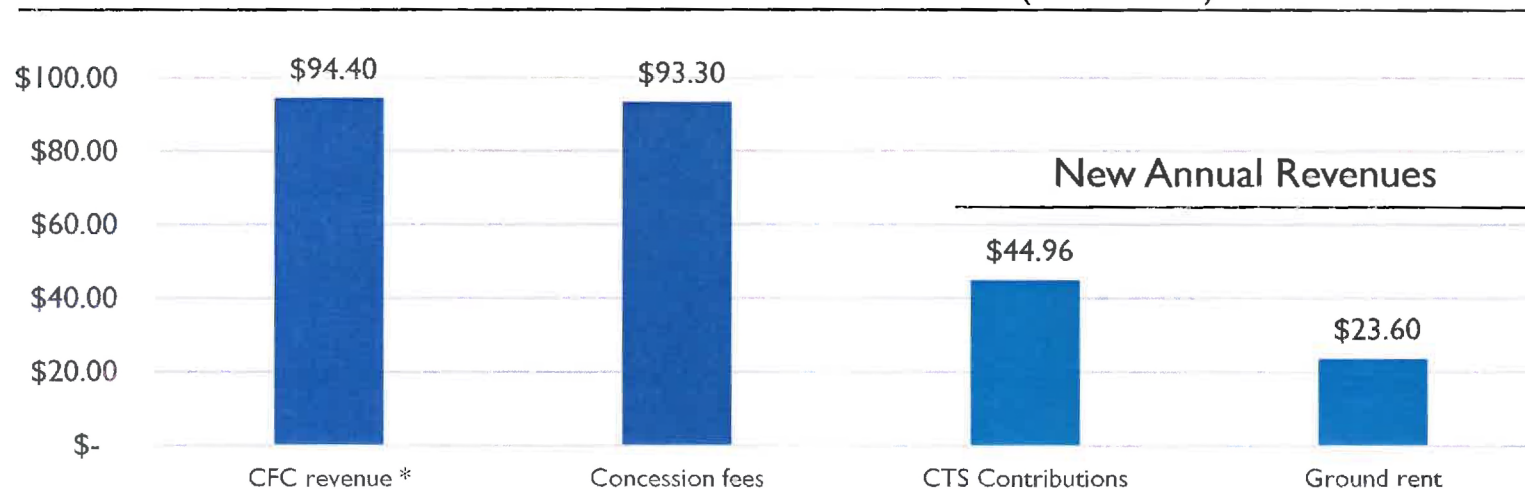


* Under California law, CFCs can't be used to pay ConRAC operating expenses.

Revenues under the Concession and Lease Agreement

- Revenues under the new RAC Agreement include existing (e.g. rental car concession fees, CFC revenues) and new revenue sources
- Estimated total annual revenues in the first year of ConRAC operations is shown below; revenues from the O&M fee are not shown, since it is a pass through of certain ConRAC O&M expenses to the RACs
- Total new annual revenues are highlighted in blue, and are equal to approximately \$2.4 billion (2024-2048)

Estimated Annual Revenues in FY 2024 (in millions)



* CFC at \$9.00 per transaction day, up to a maximum of 5-days.

Decision Requested

Staff recommends the Trade, Travel and Tourism Committee and the Los Angeles City Council take the following action:

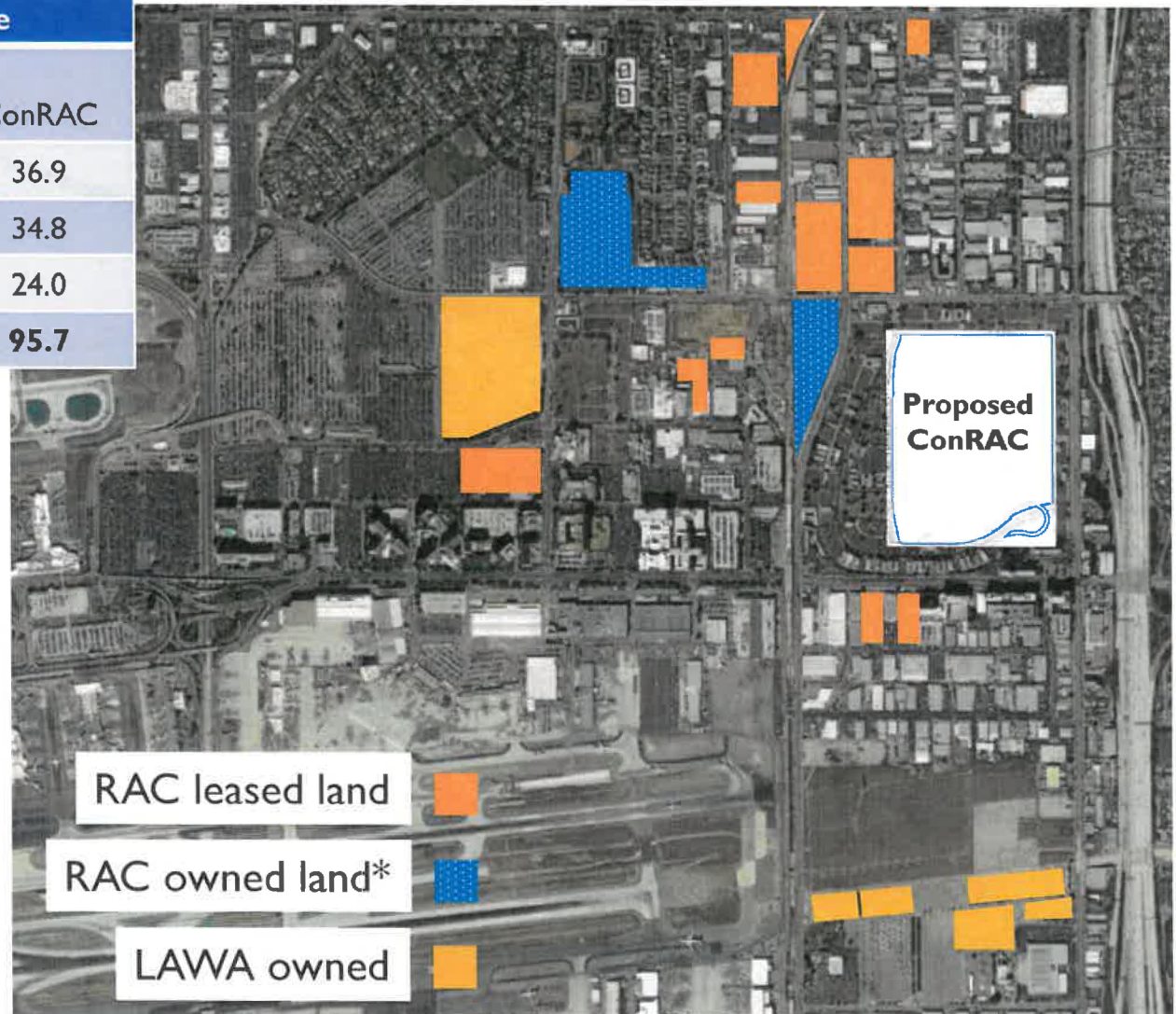
- 1) Approve the proposed Concession and Lease Agreements

Appendix

Primary Existing Rental Car Facilities near LAX

	Acreage	
	Existing facilities	ConRAC
Enterprise/brands	30.0	36.9
Hertz/brands	38.0	34.8
Avis/Budget	33.0	24.0
Total	105.0	95.7

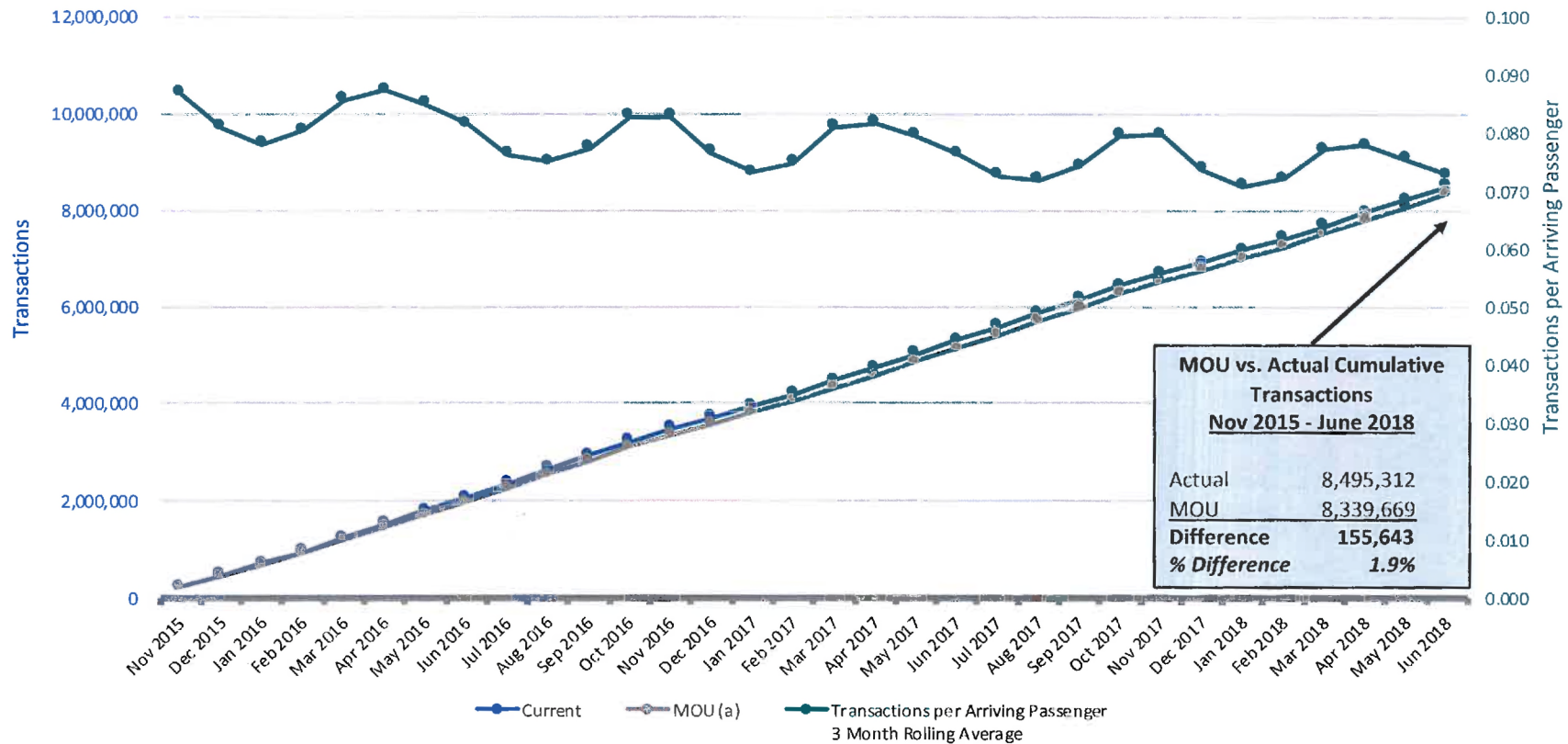
- ConRAC will increase RAC operational efficiency
- RAC's likely to retain certain existing facilities (e.g. heavy maintenance)



Transaction Trends

- Through the end of FY 2018, actual RAC transactions are on track with
- FY 2015 forecasted projections

Rental Car Cumulative Transactions and Transactions per Arriving Passenger

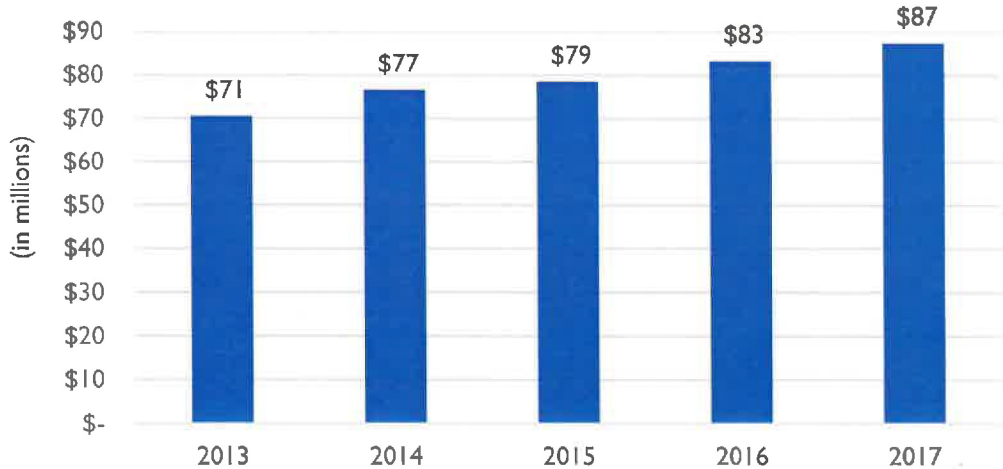


(a) MOU annual transactions spread based on current year seasonality.

LAX Rental Car Revenue Performance

- Total rental car concession fees paid to LAWA have increased approximately 5.2% per year since 2013

RAC concession fees paid to LAWA (FY)



- RAC gross revenue per transaction has increased at a lesser rate per year (0.25%), likely as a result of competitive reactions to TNCs and other factors

RAC gross revenue per transaction (CY)



