

CASE STUDY

Problem Solving Airport Lease Requirements



Shaping Tomorrow Today

Challenges

Each airport has unique funding requirements and obligations based on financial sources, ownership structure and external stakeholders. At Seattle-Tacoma International Airport (SEA), a belated provision in the negotiated lease to rent-a-car companies required a \$1 million letter of credit to cover potential environmental issues and liability. Lack of provisional resolution could have delayed facility activation as the Port of Seattle would not allow fueling operations without the letter of credit on file.

Collectively, RACs found the language of this provision to be ambiguous and unclear. Confusion ensued as to whether this was a requirement of each RAC or the collective group. Even as a collective, it would have strained resources for smaller RACs to meet the high price within a tight deadline.

Solution

Though the environmental letter of credit was not seen as an operator issue or included within the facility manager's project scope role, CS Operators took advantage of an opportunity to rise to the occasion and offered find a solution. Three things needed to happen in order to solve this problem:

1. Represent the concerns of all the RACs to clarify intent of the lease language
2. Negotiate with the Airport to clarify the financial requirements in advocating on behalf of the RACs
3. Locate a lender willing to cover the required line of credit

RAC Industry Representation

CS Operators stepped-up to represent and advocate on behalf of all RACs in order to communicate with one voice to the Airport. In

“Conrac Solutions has consistently found ways to cut costs without reducing service; they have gained efficiencies, and worked to improve overall vendor effectiveness.”

- **Gary Zimmerman**, Avis Rent A Car

order for the ConRAC to open on time, every RAC needed a solution. If left to find it individually, non-compliance by just one RAC would have halted progress for all.

Airport Negotiations

Once the concern was identified and all RACs agreed to work with CS Operators to find a solution, dialog with the Airport began immediately. These discussions and a detailed analysis of the lease language led the airport to agree that the \$1 million line of credit could include all of the RACs as a collective whole.

Lender Location

As a result of the total RAC burden reduction to \$1 million, communication with lenders began. The final challenge was obtaining a letter of credit on behalf of a consortium of eight rent-a-car agencies with no joint or severable liability. Thanks to CS Operators' positive lender relationships, a partner willing to provide the full line of credit was brought on board with the condition that collective RACs had \$1 million in combined collateral. Final negotiation confirmed the agreement, and the solution was quickly put into place without disrupting the original ConRAC opening date.

Cost Savings

Total cost savings includes all potential revenue lost due to a delayed opening of the new SEA ConRAC in addition to what could have been as high as \$7 million, if all eight RACs operating at SEA had been required to provide individual letters of credit.

fueling stations, 15 car wash bays and six maintenance bays. It is a working environment for over 600 employees. Each of the six underground gasoline fuel storage tanks have a capacity of 20,000 gallons, with RACs utilizing an allocated number of the 96 nozzles that dispense fuel from the shared tank system.

Background

The Consolidated Rent-A-Car Facility in SEA, Washington is a Port of Seattle facility, housing operations of 13 Rent-A-Car brands. Open to the public for full operations May 17, 2012, the facility measures 2.1 million square feet, and includes four Quick Turn-Around areas outfitted with 96 prep and

About Conrac Solutions

Headquartered in Renton, WA, the Conrac Solutions family of companies is the only entity in the United States to have privately developed, on-airport, consolidated rent-a-car facilities (ConRACs). As developer, financial sponsor and operator of ConRACs, the company has experience in pre-development and feasibility, financing strategies, design and construction, activation, operations, asset management and capital project management. Completed projects include Ted Stevens Anchorage International Airport, Austin-Bergstrom International Airport, and Bismarck Airport. ConRACs currently under contract for planning and delivery include Bradley International Airport (Hartford, CT), Newark Liberty International Airport and Reno Tahoe International Airport. For more information go to: <https://www.conracsolutions.com>.

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