

## News Clip

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Subject: **Booming car rental facility likely to wipe out debts 20 years early**

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Photo by Maxine Usdan

Loans for the car rental facility, due to be repaid in 2044, could be paid off in 10 years, Fitch ratings says.

## Booming car rental facility likely to wipe out debts 20 years early

The car rental facility that is a key element of the Miami Intermodal Center is doing so well that it could pay off its construction debt in 10 years – more than 20 years ahead of schedule.

The loan structure requires payback by October 2044, but Fitch Ratings said the \$4.60 daily surcharge on every rental car at the center is flowing so fast that the total could be paid back by 2023.

Fitch attributes the soaring charge collections to rapid growth in Miami International Airport passenger traffic, although the firm hedges by stating that “volatility in performance is likely over time.”

The year the facility opened, 2010, 36 million passengers passed through Miami International Airport. Last year’s total was 39.5 million, up more than 3% from the year before. Through April of this year the airport handled 13.6 million, the county reports, up a slim 0.43% from last year’s first four months.

Through March of this year, Fitch reports – the first six months of the rental car facility’s fiscal year – collections of the daily \$4.60 charge totaled \$23 million, compared to \$21.6 million for the same six months of the prior fiscal year.

At the same time that the rental car facility’s daily collections for car use were rising, moreover, “its expenses have come in well below forecast since the opening of the facility in July 2010,” Fitch says. Actual operating expenses were \$3.7 million last year, versus a \$5.4 million forecast.

The 3.4-million-square-foot rental car hub next to the airport replaced the jumble of individual car rental facilities and car rental counters in the airport itself. The rental car facilities surrounding the airport had been a focus of crime, as tourists from abroad unfamiliar with the area had been attacked.

But that crime ended when 16 car rental companies that previously operated in and near the airport co-located in the hub.

That hub, in turn, is part of a transportation node that is the Miami Intermodal Center. It now includes the new Metrorail line to the airport, the MIA Mover connecting the rental car center to the airport, and the car rental center.

When the project is complete, it’s to feature a

new Miami Central Station that’s to be Miami’s equivalent of New York’s Grand Central Station. It’s to bring together ultimately Tri-Rail, Amtrak, Metrorail, inter-city bus service, Metrobus, taxis and even bicycles and pedestrians.

But the Amtrak link is causing problems at the moment.

The planned station platform at Miami Central Station is built for Amtrak, but it’s too short by as much as 200 feet for some Amtrak trains. That will mean a costly fix to find a way to handle the trains, as Amtrak and Florida Department of Transportation officials debate who didn’t tell whom about the problem in time. That could delay use of the station by Amtrak and entail costly repairs at the site.

The rental car facility also was more costly than planned. Project price negotiations began far higher than expected, so the state added to its borrowing. That brought its total loan under the Federal Transportation Infrastructure Finance and Innovation Act to \$270 million, the loan that the car facility charges are repaying.

When the loan was taken, Fitch rated it BBB, its fourth-highest rating but lowest on its investment grade category. Today the rating remains higher at A-, Fitch said at the end of May, with a stable rating outlook.

The customer facility charge for rental cars was \$4 million before the new rental car hub opened. It’s to rise from its present \$4.60 to \$4.85 in 2015, and rise another 25 cents every five years.

During construction of the rental car facility rental car companies requested cost-building enhancements such as a full canopy on the third level, raising costs by \$8 million to \$10 million.

Enterprise and its subsidiaries are the largest rental car operation at the hub, generating about 38% of customer facility charges, according to Fitch. Enterprise is followed by Hertz and then by Avis Budget.

In order for the facility charge collections to pay off the \$270 million loan by 2023, Fitch says, those charges would require “a conservative 1% growth rate” yearly.

The state transportation department had originally forecast payoff in 2037, but structured the loan deadline to be 2044.