

THE BOND BUYER

Columbus airport taps new credit for car-rental center project

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The Columbus Regional Airport Authority is pricing \$95 million of taxable bonds secured by customer facility charges — a new revenue source the authority is pledging to repay bonds for a car-rental center at John Glenn Columbus International Airport.

The 30-year, fixed rate taxable bonds are scheduled to price on Wednesday.



Randy Bush, chief financial officer for the authority, said it expects the interest costs for the bonds to be slightly higher given that the bonds are taxable — a requirement, as the project benefit will be used by private entities in the form of car rental agencies. The bonds also carry a more limited revenue pledge and rating than the airport's general airport revenue bonds.

The total estimated cost of the project is \$153 million.

Using CFC revenues will keep capacity for general airport revenue bonds, Bush said.

“These bonds will be special facility bonds that have a limited repayment source — primarily CFCs and reserve funds,” Bush said. “The use of CFCs enables the Authority to use general airport revenues to repay GARB debt and fund other capital projects that may not have a direct funding source.”

The car-rental facility is the first of four projects included in the authority’s One International Gateway project, which aims to modernize and increase efficiency at the airport.

The other three projects are a new airport hotel, a new parking garage and a new passenger terminal. The airport authority has said it plans to explore a variety of funding sources for the remainder of the projects including grants, savings, partnerships, passenger facility charges, FAA funds and borrowing.

Kroll Bond Rating Agency assigned its A-plus rating to the bonds. Fitch Ratings and Moody’s Investors Service rate the bonds two notches below at A-minus and A3 respectively, with stable outlooks.

Kroll also rates the airport authority’s \$69 million of general airport revenue bonds outstanding — all privately placed with banks — at AA-minus.

Fitch and Moody’s do not rate the GARBs.

“The rating reflects a stable underlying traffic base supporting a modest-sized volume for rental car transactions,” Fitch said.

The airport, six miles east of downtown Columbus, is the primary commercial airport for the metropolitan area, which had a population of 2.1 million in 2018, according to Moody’s. The rating agency said the service area includes the state of Ohio, the 62,000 student of Ohio State University and the headquarters of 15 fortune 1000 companies.

“The credit profile of the Columbus Regional Airport Authority customer facility charge revenue bonds project reflects the vibrant and diverse economy at the core of the airport’s primary catchment area, with strong private and public sector institutions and favorable demographics that we expect will generate long-term air travel and rental car demand,” the rating agency said.

CFC revenues have increased from \$3 million in fiscal 2008, the first full year of collections, to \$10.4 million in fiscal 2018. The fiscal 2017 to fiscal 2018 revenue increase was 4.1%. The airport authority has the right to adjust rates as needed.

The consolidated rental car facility is expected to open by mid-2021.

Shuttle buses funded by CFC revenues will bring passengers to the facility, which is less than one mile from the passenger terminal. Fitch said that the payments for busing services, although subordinate to debt service, slow down the accumulation of cash reserves.

“Potential overruns in busing costs are mitigated by caps on annual payments from CFC revenue and the requirement for the rental car companies to cover shortfalls if there is not adequate CFC revenue,” Fitch said.

The airport currently has five concession agreements with all three major national brand families: Avis/Budget Car Rental LLC; Enterprise Holdings, Inc.; and Hertz. The companies currently occupy the first two levels of the six-level garage adjacent to the terminal but they had requested more space which is currently needed to accommodate public parking.

Kroll noted in its rating report that alternative ground transportation options like Uber, Lyft and peer-to-peer car sharing platforms and the potential for new technology-based services could depress car rental activity at the airport.

“However, rental car industry is also evolving to adapt to changes in the marketplace by implementing strategies to better manage fleet, increase revenues, and develop new business segments,” the rating agency said.

Bank of America Merrill Lynch is senior manager and Raymond James is co-senior manager on the sale. RBC Capital Markets and Loop Capital Markets are co-managers.