

# Memo



**Subject:** Zipcar

Zipcar is an international car sharing network offering services in more than 180 cities and on more than 145 university campuses, including the University of Florida. Staff was directed to research whether and under what circumstances car sharing service such as Zipcar could be provided in the City of Gainesville.

### ***How Zipcar Works for Members***

Membership in Zipcar is available to individuals 21 years old and older (18 years old and older if affiliated with a Zipcar university such as UF) and meet driving record requirements. Initial membership requires a \$25 application fee; thereafter, members pay \$60 a year to maintain membership. This membership entitles the member to use of Zipcars throughout the network, not only their local market. Businesses may also utilize Zipcar for their employees, with slightly modified application and membership fees.

Vehicles are reserved online using an interactive map which shows the location, type, cost, and availability of each vehicle. Most locations have at least two vehicles to improve the likelihood and perception of availability. Members use an access card to open the reserved vehicle. Gas and insurance are provided. The member must return the car to the original location by the end of the reservation.

Rental rates start at \$8 per hour weekdays and \$9 per hour weekends with higher rates increasing for certain, high content vehicles (such as SUVs or hybrids). A typical Zipcar vehicle placed in comparable communities at \$8 per hour is a Ford Focus (see Figure 1).

**Figure 1.** Typical Zipcar vehicle



### ***How Zipcar Works for Partner Agencies***

The standard contract for a new Zipcar partner agency is for 3 years and includes a revenue guarantee provision. This provision requires that the partner agency pay the difference between a defined level of revenue for each vehicle and the actual revenue received per month. A sample contract (see Appendix A) specifies two vehicles with a revenue guarantee

of \$1500 and \$1600 respectively. For a typical \$8 per hour vehicle, approximately 188 hours of utilization would be necessary to eliminate payment by the partner agency for the month (about 6.5 hours per day). This revenue guarantee would terminate following two consecutive quarters in which the revenue guarantee is met or at which time Zipcar chose to add additional vehicles due to high utilization rates, whichever came first.

The partner agency's responsibilities are in three primary areas. First, the partner agency must furnish a parking space for each Zipcar and provide staff to install necessary signage (provided by Zipcar) at those locations. Second, the partner agency provides staffing to relocate vehicles as needed and deliver vehicles to predetermined subcontractors for cleaning and maintenance. Cleaning and maintenance would be paid for by Zipcar. Most importantly, the partner agency is expected to assist with marketing, with the revenue guarantee providing a strong incentive to do so.

Zipcar works with the partner agency to identify vehicle locations that are likely to be successful. Zipcar also provides marketing support and materials and manages the online reservation system.

The partner agency has an opportunity to utilize Zipcar as a business member at a reduced upfront cost. The first 30 employees who become members would have their membership fees waived and each subsequent employee would pay a \$25 annual membership fee; all would then pay the standard hourly or daily rental fees established for all users.

### ***Zipcar in Practice***

Staff at the University of Florida; City of Ann Arbor, Michigan; and City of Champaign, Illinois were contacted to evaluate their experiences as Zipcar partner agencies. The municipalities were identified by Zipcar as being comparable to Gainesville and having successful experience implementing car sharing.

The University of Florida is currently operating under its second three-year contract with Zipcar, having started car sharing services with a company that was later purchased by Zipcar. Ten Zipcars are currently located on campus, primarily east of Gale Lemerand Drive and south of Museum Road. Usage rates currently average around 40% of a 24 hour, 7 day week. Under the current contract, UF is no longer obligated to provide a revenue guarantee. According to Scott Fox, Director of Transportation and Parking Services (TAPS), the keys to success at UF were:

1. Moving the program from fleet services to TAPS, where Zipcar and department strategic objectives were better aligned;
2. Eliminating the revenue guarantee quickly to produce a revenue-neutral program; and
3. Marketing, particularly to first year students.

The Ann Arbor program is administered by "getDowntown," a partnership between the Ann Arbor Transportation Authority, the Ann Arbor Downtown Development Authority (DDA), and the City of Ann Arbor. The DDA provided a grant to cover the initial 3 year revenue guarantee, which was eliminated from the contract after the first year. The number of vehicles available has risen from 2 vehicles initially to 10 vehicles today. According to Nancy Shore from getDowntown, the keys to success in Ann Arbor were:

1. Significant employment and student population downtown near Zipcar locations;
2. High rates of alternative commuting modes; and
3. Marketing, especially a well-advertised and attended launch event.

The Champaign program is administered through intergovernmental agreement between the University of Illinois (UI), City of Champaign, City of Urban, and Mass Transit District (MTD). These organizations shared the cost of the revenue guarantee, which was met after 15

months. The program started with 6 cars and currently has 10 cars, including 2 that were added under a separate contract with the developer of a UI research park. According to Stacy Rachel, Administrative Services Supervisor with the City of Champaign, the keys to success in Champaign-Urbana were:

1. Support from MTD, who offered staff time and marketing expertise;
2. Residential population downtown near Zipcar locations; and
3. Unlimited bus service for students, which supported a car-free lifestyle.

Experiences with staff time varied. The Ann Arbor program requires very little staff support other than ongoing marketing; vehicle movement is handled by Zipcar’s contracted cleaning service. In Champaign, MTD provides a staff member who spends approximately 20 hours per week providing assistance with the program. At UF, staff time commitments are approximately 20 hours per month.

None of these agencies experienced much success substituting Zipcar for fleet vehicles. UF has noted no appreciable decline in the number of department vehicles owned. Ann Arbor reports only moderate use by employees for personal business. The City of Champaign held orientations on Zipcar in each department and reduced the number of city pool vehicles by only one. City of Gainesville General Services estimates the annual total cost per pool vehicle at \$4000, which equates to approximately 500 hours of Zipcar usage per year before membership fees.

**Conclusions and Recommendations**

Successful implementation of car sharing in Gainesville appears realistic, given the experience in similar university cities and at UF locally.

The direct financial cost of the program, via the revenue guarantee, would likely vary monthly. The follow scenarios demonstrate how usage would impact this monthly fee (see Table 1). The scenario assumes a program with two Zipcars renting at \$8 per hour at a combined revenue guarantee of \$3,100 per month (as shown in the attached sample contract) and 30 days per month.

**Table 1.** Cost scenarios

	No Utilization ←-----→ Break Even			
Utilization Rate	0%	8%	17%	28%
Average Usage per Day per Vehicle	0 hours	2 hours	4 hours	6.5 hours
Revenue Guarantee per Month	\$3,100	\$2,140	\$1,180	No Direct Cost
Revenue Guarantee per Year	\$37,200	\$25,680	\$14,160	No Direct Cost

The following recommendations would help to further ensure the success of car sharing, if pursued by the City of Gainesville:

1. Build a partnership to share the financial risk associated under the initial contract. The Innovation Square business improvement district, when formed, could be an

ideal partner agency. Other potential partners could include UF, private developers, Alachua County, and other City departments such as RTS.

2. Market the program to area businesses to promote use of Zipcar as a fleet car substitute. Business users could provide a baseline level of usage and minimize the initial financial risk.
3. Utilize existing marketing expertise at RTS to promote a program and integrate marketing with that for other transportation options including transit and with marketing at UF.
4. Identify staff that can provide support during program roll-out and also ongoing to meet agency responsibilities such as car relocation.

**Resources**

[www.zipcar.com](http://www.zipcar.com)