O2019-1611 Amended agreement for operation of Divvy bike sharing program
Mayor Rahm Emanuel **Pedestrian and Traffic Safety**

Intro Date: March 13, 2019

Headline: Amends the existing agreement with Motivate International, Inc for operation of the Divvy bike sharing program.

Background: The current contract for the operation of Divvy began in 2013. The original contract was for a term a five years, with options for two five-year extensions. The original length of those options remains unchanged with this agreement. Under that original agreement, the infrastructure required for the system was purchased by the City, largely with the use of federal grant awards at a cost of around $36 million. Under the existing terms, advertising on the system is done separate from the operating agreement. Profits or losses of the system are currently split between the City and Motivate. Recently, the City's losses are anticipated to be around $1 million a year. In the fall of 2018, Lyft purchased Motivate. The system currently has approximately 600 docking stations and 6,200 deployed bicycles. Annual system revenues are approximately $9 million.

Summary: The ordinance amends the existing agreement with Motivate to provide expanded service of the system to all areas of Chicago, to help provide greater revenue potential for the Divvy system as a whole, and increased revenue generation for the City specifically.

In the amended agreement, Motivate is committed to spending $50 million for capital improvements over the remaining term of the agreement. $42 million of that must be spent in the first three years of the amended terms, and must include the purchase of 10,500 (3,500 each year) bicycles that have both electronic capability, and include lock-to technology. It also requires the installation of 175 new docking stations throughout the city, 50 in the first year, and 125 in the second year. Upon the expiration of the agreement, the assets purchased with this commitment become the property of the City of Chicago. If Motivate chooses to expend capital resources in addition to the $50 million committed, each $1 million in investment requires prior approval by the City. Those additional assets can be purchased by the City at the time the agreement expires.

In addition to the capital investments required under the agreement, Motivate will also be committed to a revenue sharing arrangement with the City. The annual payments have three components, the first is an annual payment of $6 million which then grows by 4% annually during the length of the agreement, a share of advertising revenues that is equal to the greater of $1.5 million annually or 40% of net advertising and sponsorship revenues, and 5% of annual ridership revenue that is in excess of $20 million. For the terms of the agreement, this should provide a minimum of $77 million over nine years ($63.5 million in base payments and $13.5 million in advertising revenue payments.) All revenues from the program are to be used on transportation purposes in accordance with federal law.

Motivate will also be required to reserve 5% of their advertising space for public service announcements from the City of Chicago. Under the introduced language, Motivate is also committing to conduct a market study for the implementation of an adaptive bicycle sharing program. They have 12 months to complete the study, and must implement a program based on the results of the study within six months of its completion. There will likely be a substitute ordinance introduced to eliminate the study and require the implementation of an adaptive bicycle sharing program within 6-12 months of the amended agreement being adopted.

The amended agreement also acknowledges that Motivate will be the exclusive bike sharing provider in the City of Chicago. This ordinance does not provide for a shared electric scooter sharing program. However, if the city does choose to allow for the program in the first eight years of the amended agreement, the City is committed to negotiating with Motivate on the impacts that such a program could have on the Divvy system.

Immediate Fiscal Impact: $6 million in base annual payment and $1.5 million in advertising revenue ($7.5 million total).

Long-Term Fiscal Impact: 2020: $6.24 million base payment ($7.74 million total)
2021: $6.49 million base payment ($7.99 million total)
2022: $6.75 million base payment ($8.25 million total)
2023: $7.02 million base payment ($8.52 million total)
2024: $7.3 million base payment ($8.8 million total)
2025: $7.59 million base payment ($9.09 million total)
2026: $7.9 million base payment ($9.4 million total)
2027: $8.21 million base payment ($9.71 million total)

Co-sponsors:

Additional Considerations: