



Request for City Council Committee Action from the Department of

Date: November 7, 2012
To: Council Member Lisa Goodman, Community Development Committee
Subject: Approval of Cedar-Riverside Parking Lot Operating Agreement with Interstate Parking Company of Minnesota, LLC

Recommendation: Authorize appropriate staff to negotiate and execute a contract with Interstate Parking Company of Minnesota, LLC to operate the City-owned parking lots A, B, and C in the Cedar Riverside neighborhood for five years, term effective January 1, 2013.

Previous Directives: On November 7, 2006, the City Council authorized staff to enter into a five-year management agreement with Imperial Parking Corporation ("ImPark") for the three parking lots. On September 16, 2003, MCDA Board authorized staff to amend the existing agreement with ImPark to allow for an exchange of extended term and modified lease rate for operator-funded capital improvements to the existing parking lots. On June 9, 2000, MCDA Board authorized staff to enter into a five-year management agreement with ImPark for all three lots. The City, through the Minneapolis Community Development Agency, acquired Lot A (1500 4th Street South) on September 27, 1983; Lot B (18th Avenue South and 3rd Street South) on November 8, 1982; and Lot C (18th Avenue South and Riverside Avenue South) on December 31, 1985.

Department Information

Prepared by: Erik Hansen, Principal Project Coordinator (612-673-5022)
Approved by: Charles T. Lutz, CPED Deputy Director _____
Catherine A Polasky, Director of Economic Policy & Dev. _____
Presenters in Committee: Erik Hansen

Reviews

- Permanent Review Committee (PRC): Approval: Yes Date: August 24, 2012

Financial Impact

- Action is within the Business Plan
- Other financial impact - Interstate Parking has offered to pay an annual operator fee of \$90,250.

Community Impact

- Neighborhood Notification – West Bank Business Association (“WBBA”) and its Parking Committee were involved in the development of objectives for the Request for Proposals as well as reviewing and ranking proposals.
- City Goals – Consistent with Jobs and Economic Vitality; Strong commercial corridors, thriving business corners
- Comprehensive Plan – Consistent with existing conditions of parcels
- Zoning Code – Complies with existing zoning

Supporting Information

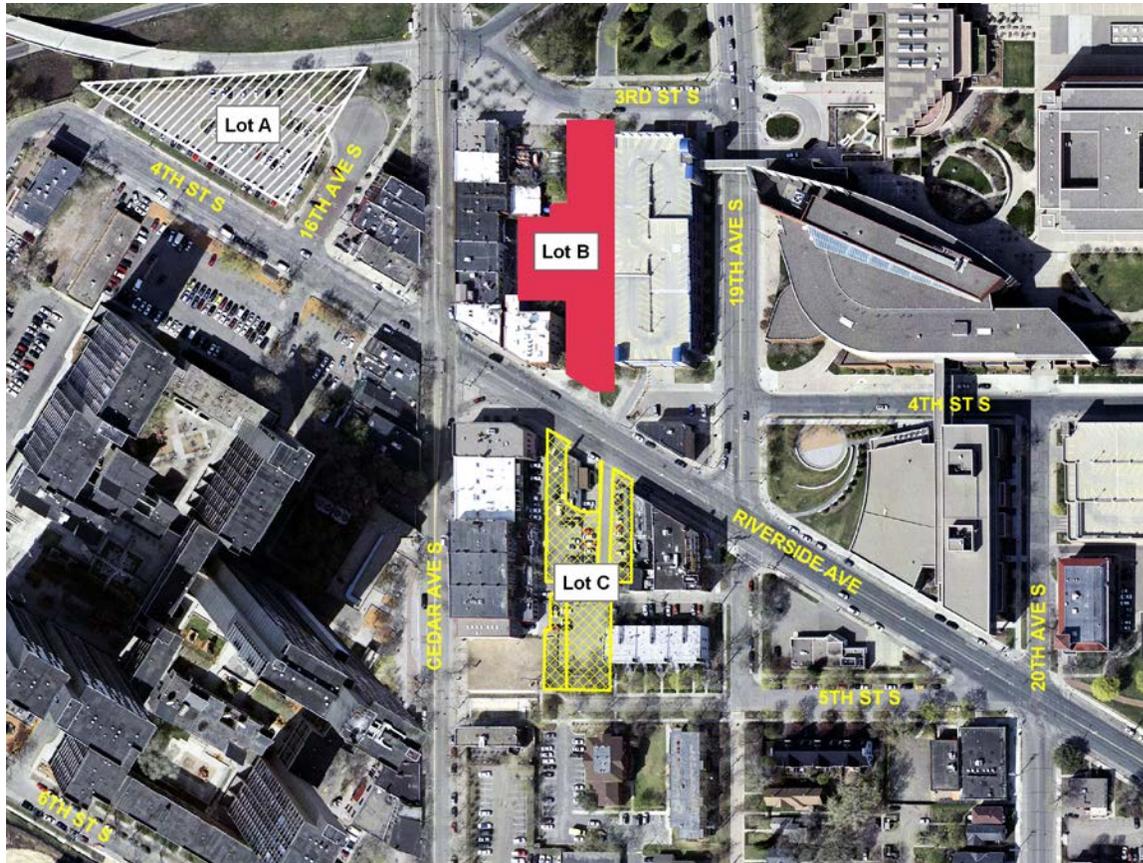
Staff issued a Request for Proposals (“RFP”) on August 24, 2012 (amended on September 10) to provide professional parking lot management/operation services relating to three City-owned parking lots in the Cedar-Riverside neighborhood (referred to as “Lots”). These Lots have approximately 226 stalls that support the business community by providing customer, employee, and public parking. The Lots are referred to as Lot A (1500 4th Street South - 93 parking stalls), Lot B (18th and 3rd Street South - 74 parking stalls), and Lot C (18th and Riverside Avenue South - 59 parking stalls). The City’s objectives for operation of the Lots are as follows:

- Provide clean, safe, well-maintained parking.
- Ensure adequate parking for Cedar-Riverside business patrons and employees.
- Ensure turnover for parking available to customers specifically that the parking lot has available spaces for business patrons where the lots are not full for more than a thirty-minute period on any three consecutive weekdays.
- Operate the parking lots so that they are financially self-sustaining.
- Operator assumes responsibility of all liability claims.
- Lots are considered economic development parking lots meant for businesses and patrons.

The City received four proposals interested in operating the Lots for a five-year term starting on January 1, 2013 and concluding on December 31, 2017. The current operator agreement with Imperial Parking Corporation (“ImPark”) ends on December 31, 2012. Proposals included operational information to meet the City’s objectives, operating experience, corporate philosophy, expected revenues and expenses, and proposed fees paid to the City. A review committee comprised of staff from the departments of CPED, Finance, Public Works Parking Services, City Attorney, and City Council, along with West Bank Business Association (“WBBA”) representatives reviewed the proposals. The review committee, by a consensus method, recommends Interstate Parking Company of Minnesota, LLC (“Interstate”) to operate the parking lots.

The review committee deemed that Interstate submitted the strongest proposal. Interstate’s proposal offers the highest annual fee (\$90,250) of the four proposers, has staff with experience running the Cedar-Riverside lots, describes adequately its customer service philosophy, and is the clearest in describing how they would automate the Lots, allowing for a business customer validation program.

City-owned parking lots in the Cedar-Riverside neighborhood



Lot	A (1500 4 th St. S.)	B (18 th and 3 rd St. S.)	C (18 th and Riverside)
General information	Stalls 93 Entrances 1 Exits 2	Stalls 74 Entrances 2 Exits 1	Stalls 59 Entrances 1 Exits 1
Hours of operations:	24 hours/day	Monday-Friday: 7 a.m. – 11:00 p.m., Saturday 9 a.m. – 7 p.m., Sunday 10 a.m. – 6 p.m. Ticket dispenser regulates after-hour parking.	24 hours/day
Method of operation:	Fully Automated Daily parking Event parking Monthly parking	Staffed, controlled access Daily parking Event parking Monthly parking	Fully Automated Daily parking Event parking Monthly parking

Requirements for proposers

The RFP includes a scope of services that outlines City expectations of the operator such as staffing, security, maintenance, rates, and expected improvements. Proposers interested in operating the Lots must meet minimum qualifications of operating surface parking lots for a minimum of five years, demonstrated ability to carry out the financial responsibilities of Lot operations, and demonstrated experience of managing at least two surface lots. In addition to the scope of services and minimum requirements, proposers are required to have a local office of operations, to participate in the WBBA parking committee, operate a validation program for participating businesses, and pay an annual fee to the City.

The RFP has a provision allowing the City to close any or all of the Lots during the contract term for redevelopment purposes. Proposers were required to indicate how they would prorate the operator fee in the event any of the Lots were to close during the term. CPED expects to issue a redevelopment RFP for a site that includes Lot A during the proposed contract term. Closure of Lot A will have the biggest impact to fee revenue from the operations agreement because it generates the most net revenue compared to the other two lots. Staff does not anticipate redevelopment of Lot B or Lot C during the contract term.

The RFP prescribes staffing levels for Lot B, a controlled access lot. Lots A and C are unstaffed. The RFP does allow proposers to present options to fully automate Lot B if the automation meets the requirements to match rates with the adjacent University of Minnesota 19th Ave Parking ramp and provide a customer parking validation program to area businesses. Given the parking demand pressures from University of Minnesota students, maintaining Lot B as a controlled access lot increases the likelihood that the lot will favor parking for local business customers.

Recommended Operator

The City received four proposals in response to the RFP, one each from Interstate, ImPark, Allied Parking Inc. ("Allied"), and NM Parking. The review committee selected Interstate to operate the Lots beginning in 2013.

Interstate, formerly Premier Parking, has operated since 2001 with four principal ownership partners, Midwest Parking Group, LLC, Premier Parking 1, LLC, Sonas, LLC, and Towne Parking, LLC. Interstate is based in Minneapolis, the partners each have more than 14 years of parking operation experience. Interstate operates 67 parking facilities with annual gross revenue of \$12 million.

Interstate's principals have previous experience working with the Lots and currently operate similar facilities in the area. Doug Hoskin was the operator of the Lots in the 1990s while working for Parking Services, Inc. Paul Schnetter and Tony Janowiec previously worked for ImPark in the late 1990s, early 2000s when ImPark had the City's operational contract. The firm operates lots adjacent to the General Mills research facility in the Marcy-Homes neighborhood, and surface lots downtown on Hennepin Avenue and in the Historic St. Anthony Main business district.

The firm proposes paying the highest fee of any of the four proposers. Interstate offers to pay the City \$90,250 annually. It bases this fee on projected revenues that are

similar to current performance of the Lots (projected \$313,000 in revenue versus \$327,000 actual revenue in 2011). Projected revenues are based on comparable parking rates to existing rates with a validation program. Both keeping rates comparable and maintaining a validation program are important to support local businesses.

Finally, Interstate has proposed using additional technology to improve the validation program in Lot B, which could lead to full automation of the lot. Interstate proposes deploying a point-of-sale validation system. It's a system where a customer's parking fee is electronically reduced by the contracted validation rate through encoding the parking ticket at the check-out counter of each participating business. The review committee believes this system, as described in Interstate's proposal, best meets the desire to move toward full automation while keeping Lot B a controlled access lot with hourly rates comparable to the adjacent University of Minnesota 19th Ave Ramp.

Firm	Interstate Parking Company of Minnesota, LLC
Experience	Established in 2001 as Premier Parking, becoming Interstate in 2010. Operates 67 facilities in Minnesota and Wisconsin including surface lots in Minneapolis.
Projected Annual Revenue and Expenses	\$313,000 (revenue) \$298,000 (expenses, including City fee)
Proposed Fee Paid to the City	\$90,250
Proration in the event of lot closure	Lot A – 80% fee reduction Lot B – 05% fee reduction Lot C – 15% fee reduction

Rates

Staff will negotiate a rate structure with the Interstate, with input from the WBBA parking committee. The operating agreement will include hourly, monthly, and event rates. Event and monthly rates will be standard across each lot. Hourly rates will vary between the three lots. Hourly rates proposed by Interstate are:

LOT	DAILY RATES
Lot A:	0-2 hours: \$3 2-4 hours: \$5 24 hours: \$7 Evenings after 4 p.m.: \$3
Lot B:	1st ½ hour: \$1.00 ½ - 1 hour: \$2.50 1-2 hours: \$5.00 2-3 hours: \$7.00 3-4 hours: \$9.25 4-5 hours: \$11.50 5-6 hours: \$13.75

After-hours Meter Rates:	6-7 hours: \$16.00 7-24 hours: \$18.25
	0-3 hours: \$1 3-6 hours: \$3
Lot C:	0-2 hours: \$2 2-4 hours: \$4 4-8 hours: \$8 8-12 hours: \$12 Overnight/weekends: \$2

Other Proposals

The three other proposals received include one from ImPark, Allied Parking Inc. (“Allied”), and NM Parking. ImPark, and Allied operate parking facilities in the Minneapolis-St. Paul area. NM Parking operates parking facilities in California.

ImPark –

ImPark began its operations in Canada over 50 years ago, moving into the US markets in 1989. ImPark currently operates 2,000 parking facilities in the United States and Canada including the Lots since the late 1990s. ImPark has operating revenues of more than \$21 million. ImPark proposed a \$30,000 fee to the City plus a share of gross revenue in excess of \$328,000. ImPark has proposed rates for the lots that favor short term parking (\$1 for periods under 2 hours, \$8+ for longer terms) and did not propose a customer validation program required by the RFP and proposed by other respondents. This rate structure would not provide an advantage to the business customer over potential use by University of Minnesota students as the existing rate schedule does. Increase in demand for short-term parking could also jeopardize the objective of not having the Lots full for any 30-minute period.

Firm	Imperial Parking Corporation
Experience	Established in 1962 in Canada, incorporating in the United States in 1989. Operates 2,000 facilities in North America including surface lots in Minneapolis.
Projected Annual Revenue and Expenses	\$310,000 (revenue) \$230,000 (expenses, including City fee)
Proposed Fee Paid to the City	\$30,000 plus 35% of gross revenues exceeding \$328,000
Proration in the event of lot closure	Lot A – Termination right Lot B – Fee increased by \$45,000 Lot C – Fee decreased by \$10,000

Allied –

Allied Parking Inc. is a Minneapolis-based parking firm operating since 1963. Allied operates 20 facilities in the Minneapolis-St. Paul metropolitan area, including surface lots. Allied has gross revenues of \$19 million. Allied proposed paying a fee of \$24,000

to operate the lots. Allied revenue figures are based on existing rates with a validation program in place.

Firm	Allied Parking Inc.
Experience	Established in 1963 in Minnesota. Operates 20 facilities in Minneapolis-St. Paul region.
Projected Annual Revenue and Expenses	\$297,000 (revenue) \$283,000 (expenses, including City fee)
Proposed Fee Paid to the City	\$24,000
Proration in the event of lot closure	Negotiated

NM Parking –

NM Parking is a California based firm that operates three parking ramps in the San Francisco Bay Area. NM Parking has no experience running parking facilities in Minnesota and it is unclear if it would meet requirements to have an operational office in Minneapolis or to participate in the WBBA parking committee. NM Parking did not indicate whether they have experience running surface parking lots. It is also not clear if NM Parking has experience working in cold weather climates that require additional maintenance including snow removal.

Firm	NM Parking
Experience	Reported as 20 years of experience. Operates three parking ramps in the San Francisco Bay Area. No Minnesota operations.
Projected Annual Revenue and Expenses	\$307,000 (revenue) \$240,000 (expenses)
Proposed Fee Paid to the City	\$73,500
Proration in the event of lot closure	Not provided

History of City-Owned Lots in Cedar-Riverside neighborhood

Between 1982 and 1985, the City, through the Minneapolis Community Development Agency, acquired three surface parking lots in the Cedar Riverside neighborhood. The MCDA managed the Lots internally until 1992 when it entered into a Right of Entry and Management Agreement with the WBBA (formally known as the Cedar-Riverside Business Association). WBBA, in turn, contracted with a parking operator for the three lots, initially with Parking Services, Inc and later ImPark to manage the Lots on their behalf. In 2000, the City made the decision to contract directly for management services for the Lots issuing a six-year term RFP in 2000 and a five-year term RFP in 2006. The City selected ImPark to operate the Lots as a result of both solicitations, with the current operator agreement expiring on December 31, 2012