



**Request for City Council Committee Action
from the Department of Community Planning & Economic Development**

Date: November 7, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: Approval of Cedar-Riverside Parking Lot Operating Agreement with Imperial Parking (US), Inc.

Recommendation: Authorize appropriate staff to negotiate and execute a contract with Imperial Parking (US), Inc. to operate the city-owned lots A, B, and C in Cedar Riverside neighborhood for up to five years, term effective January 1, 2007.

Previous Directives: MCDA 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. On June 9, 2000, MCDA Board authorized staff to enter into a five-year management agreement with Imperial Parking, Inc. for all three lots. On September 16, 2003, MCDA Board authorized staff to amend the existing agreement with Imperial Parking to allow for an exchange of extended term and modified lease rate for Operator-funded capital improvements to the existing parking lots. On July 11, 2006, City Council approved a Request for Proposals for parking lot management of the three lots.

Prepared by: Judy Cedar, Senior Project Coordinator, 612 673-5025 and Andie Martinez, Humphrey Intern	
Approved by: Chuck Lutz, Deputy CPED Director Mike Christenson, Director Economic Policy & Development	_____ _____
Presenter in Committee: Judy Cedar	

Financial Impact

- Action is within the Business Plan
- Other financial impact. Imperial Parking, Inc has offered to pay an annual operator fee of \$40,000 (up from the requested \$26,808).

Community Impact

- Neighborhood Notification: Cedar Riverside Business Association (CRBA) and its Parking Committee were involved in drafting the Request for Professional Services (RFP) as well as reviewing and ranking proposals. CRBA accepted the recommendation contained in this report at their meeting on September 21, 2006.
- City Goals: This proposal is consistent with the Connected Communities goal.
- Comprehensive Plan: This proposal is consistent with *The Minneapolis Plan* goal of creating strong, vital community corridors.
- Zoning Code: NA

Background/Supporting Information:

Between 1982 and 1985, the MCDA acquired three surface parking lots in the Cedar Riverside neighborhood (Lot A on September 27, 1983, Lot B on November 8, 1982, and Lot C on December 31, 1985; see attached map). The dirt lots were paved by the MCDA in 1990 to provide for a total of 226 stalls: 93 spaces in Lot A, 74 spaces in Lot B and 59 spaces in Lot C. The City's objective in maintaining these three lots has been to provide financially self-sustaining, clean, safe, and well-maintained parking for business patrons and employees.

The MCDA managed the lots internally until 1992. The MCDA entered into a Right of Entry and Management Agreement with the Cedar-Riverside Business Association (CRBA) in 1992. CRBA, in turn, contracted with a parking operator for the three lots. CRBA initially hired Parking Services, Inc (PSI) and later hired Imperial Parking, Inc. (Impark) to manage the lots on their behalf.

The Right of Entry and Management Agreement with CRBA was formally terminated in 2000. The MCDA made the decision to contract directly for management services for the lots. A Request for Professional Services (RFP) was issued. The MCDA entered into a Parking Lot Operating Agreement with Imperial Parking, Inc. (Operator) effective June 1, 2000, with a term that extends through December 31, 2006.

In June and July of this year, a RFP was created and approved by the Permanent Review Committee and the City Council. The RFP stated City objectives as follows:

- provide clean, safe, well-maintained parking;
- ensure adequate parking for Cedar-Riverside business patrons and employees by not allowing a parking lot to be filled for more than thirty (30) minutes on any three consecutive workdays;
- operate the parking lots so that they are financially self-sustaining;
- seek operator responsibility for all liability claims;
- position lots for economic development purpose; and
- employ validation parking to achieve stated goals.

A Small Area Plan has been initiated by CPED Planning, and the final results of the planning process may alter the City's goals and objectives for these three lots in that one or more of the lots may be sold for redevelopment. This potential change in the City's goals and objectives for the three lots was disclosed in the RFP.

The Two Proposals

The RFP issued on July 28, generated two quality proposals. Bidders included Central Parking and Imperial Parking (US), Inc. (Impark). Central and Impark are international companies and are experienced in parking lot facility operations and management. Central Parking System's parent company is named Central Parking Corporation, a public company traded on the New York Stock Exchange with home offices in Nashville, TN. Central does business in 39 states, Canada, and several European and Latin American countries. Impark is the third largest parking management company in North America with home offices located in Vancouver, British Columbia. Impark is a public company listed on the American Stock Exchange. Impark operates in 38 cities located in North America.

At the local level, each company has several properties in Minneapolis:

- Central operates surface lots for the Minneapolis Park and Recreation Board at Lake Nokomis, Lake Harriet, Minnehaha Falls, Parade Lots 1-3 and Bohemian Flats. These lots are pay station operations. Other lots include two by the Metrodome (300 and 309 Norm McGrew Place), the WCCO lot at 87 South 10th Street, Federal Reserve employee parking at 1st Avenue & 1st Street, and the lot at 900 Marquette Avenue. Central operates two ramps in downtown Minneapolis: IDS Center at 730 Marquette Avenue and Century Plaza at 1111 3rd Avenue South.
- Impark operates parking lots near the Metrodome (731 Washington, 70 South 10th Avenue, and 609 12th Avenue South) and has experience operating lots in various other locations of the City: 519 Cedar Avenue, 814 Washington Avenue SE, 2700 East Lake, 200 University Avenue SE, 702 North 1st Street, 900 Chicago Avenue, 1025 Hawthorne Avenue, 1368 LaSalle Avenue, 502 South 9th Street and 715 1st Street North. In addition, Impark is the current operator of the City's Cedar Riverside Lots A, B and C. Impark operates seven ramps in downtown Minneapolis: Fifth Street Towers at 100 South 5th Street, Central Library at 300 Nicollet Mall, Block E at 600 Hennepin Avenue, HCMC at 600 Park Avenue, Marquette Plaza at 250 Marquette Avenue, 1010 Metrodome at 1010 South 6th Street and the Armory at 501 South 5th Street.

The CPED/CRBA review team compared the parking proposals as follows:

	Impark	Central Parking
Experience of the Operator	17 surface lots in Minneapolis—several in neighborhood locations—and 44 years of experience	14 surface lots in Minneapolis—mainly downtown—and 36 years of experience
Fiscal responsibility/ financial information	Year ended Dec. 2005 (thousands) Rev: \$182,966 Exp: \$153,388 Gross Margin: \$29,578	Year ended Dec. 2005 (thousands) Rev: \$1,133,816 Exp: \$1,113,145 Gross Margin: \$20,671
Customer service philosophy	Provide an easy, friendly, and efficient parking experience	Provide a safe, clean, and easy parking experience to customers
Proposed operating plan	Continue to operate as they do now	Enhance physical appearance of lots, intensify marketing efforts
Letters of Recommendation	African Development Center of Minneapolis; Sherman Associates Inc.; Douglas Hoskin; Midwest Mountaineering; and Om Arora	City of St. Paul; Trizec from Washington D.C.; Crown Center in Kansas City, MO; City and County of Denver; and, Offices of South Coast Plaza in Orange County, CA
Proposed alternative fee structure	Proposes an increase in the operator fee from \$26,808 to \$40,000 and no immediate increases in rates expected	Proposes base operator fee of \$26,808 plus a 65% share of gross revenues in excess of \$205,000. Anticipate negotiations with CRBA parking committee to recruit more businesses to the voucher system; prepaid event parking; ticket controls to ensure 100% payment; and no immediate increases in rates expected.

Projected Revenue and Expenses	2007 Gross Revenue of \$251,124 2007 Expenses (before Operator Fee) of \$191,775	2007 Gross Revenue of \$326,828 2007 Expenses (before Operator Fee) of \$184,107
Additional Start-Up Costs	N/A	Install electronic equipment and signage; create electronic voucher receipts and stamp books

The operator fee in the RFP was set at \$26,808 and is based upon a review of land value and gross sales of the existing parking operations at the three lots by the Interim Staff Appraiser, J. Scott Renne. The fee takes into account the short term of the lease (two years with an option to renew for three additional years), the operator's loss of revenue from subsidizing validation parking, and the potential of termination or revenue loss from the sale and development of Lot A and maybe Lots B and/or C.

Average gross revenues for the three lots over the past three years (2003, 2004 and 2005) are \$253,355 and average expenses (before operator fee) for the three lots over the past three years (2003, 2004, and 2005) are \$175,576. The following calculations compare operator fee revenues from Impark and Central using the average gross revenue amount as the example:

- Impark is offering a flat operator fee of \$40,000.
- Central is offering a flat operator fee of \$26,808 and a portion of gross revenues that exceed \$205,000 for a total of \$58,239.¹ Using the same formula and using Central's estimated gross revenues of \$326,818 for 2007, the operator fee would be calculated at \$105,990. Conversely, should Central experience flat revenue growth and the gross revenues fall below \$205,000, then the City would receive an operator fee of \$26,808.

There appears to be pros and cons of accepting either operator fee proposal:

- With the Impark offer of \$40,000 there will be no opportunities for the City to share in any significant increases in gross revenue. Likewise, there will be no risk for the City if the gross revenues remain flat or actually decrease.
- Central intends to submit a written transition plan upon award of a contract. The transition plan would identify actual costs of signage and equipment purchases, installation expenses, utility hook-ups and other costs associated with start-up of the parking operations by Central. The costs would be based upon actual bids rather than estimates (currently at \$49,320). The capital costs are amortized as an expense over the full five years. If the lease should terminate prior to the five years then the unamortized expenses would need to be repaid to Central. Another instance where Central and the City could experience less revenue is in the case of the loss of revenues upon the sale and redevelopment of Lot A which is the largest lot and has the highest utilization.

Selection of Parking Operator Considerations

Both Central and Impark are excellent, well-qualified companies. Their proposals were reviewed by a representative of the CRBA parking committee together with an internal staff review team.

¹ \$26,808 + [65% of (\$253,355-\$205,000)] = \$58,239.

This review team is recommending Impark but acknowledges factors to be fully considered by the Committee.

- Assuming the performance of the lots remains constant or increases, Central's offer provides a greater revenue stream to the City. The Central proposal also commits to aggressive promotions of the lots. Some of the potential increased revenue stream to the City could be lost, however, if the capitalization of the new equipment and signage isn't realized and Central needs to be compensated. If Central is selected, Impark will vacate the three lots on December 31, 2006. Central plans to install new equipment and signage January 1. Should some unforeseen delays occur preventing the execution of a new parking operator agreement between the City and Central before January 1, then it might be necessary to negotiate an extension with Impark or seek alternate interim management.
- Impark offers a fixed operator fee of \$40,000 which exceeds the appraised rate of \$26,808. The fixed fee means there is no opportunity for the City to share in revenue receipts. A selection of Impark would require neither transition negotiations nor any transition installations of new equipment. Impark has the advantage of having already developed a rapport with the community and with CRBA. Currently, Impark manages four lots within Cedar Riverside and has a good working knowledge of the community's businesses.

Although the Central proposal has a potentially greater fee, staff is recommending Impark because the \$40,000 fee is guaranteed. Furthermore, the current planning process may result in policy recommendations to transition from the current uses of these lots—especially Lot A. If Lot A were removed from the operator's management responsibilities, Impark's adjusted pro rata fee would be greater than Central's. It seems prudent to lock in a guaranteed rate in the short term, particularly when that offer has strong letters of recommendation from the Cedar Riverside community.

Proposed Terms of the Agreement

Impark will be responsible for all staffing, equipment, insurance, utility, and maintenance of the three lots. In addition, Impark is responsible for attending the CRBA Parking Committee meetings and implementing the voucher system, including the provision of parking sticker books. A contract will commence on January 1, 2007, for a period of two (2) years, with a one-time option to renew for an additional three (3) years. Any proposed parking rate increases will be reviewed for adjustment annually by CRBA Parking Committee and the City. The operator fee will be readjusted on a pro-rata basis as one or more of the parking lots are sold for development. Initially, it is estimated that Impark will earn a management fee of approximately \$19,000 per year given current performance/utilization.

The voucher system (mentioned in the above paragraph) already exists. Business customers use the voucher system in one of two ways. On Lots A and C a customer can receive a voucher receipt when they pay at the pay station. The voucher receipt is turned in at the business establishment and the business reimburses the customer for the cost of parking. The business then submits voucher receipts to Impark to receive a prorated refund. On Lot B there is an attendant. A customer parking in Lot B gets a parking pay ticket. That ticket is stamped by the business establishment using stickers that are pre-purchased by the businesses who participate in the validation program. A total of 12 businesses participate in the validation program.

The rates charged for short-term parking in these three lots are comparable to rates in the U of M Ramps and the Seven Corners Ramp, making the lots convenient for businesses and their customers even if they do not utilize the voucher program. All subsidized parking reduces the operator's gross revenues. Attachments follow describing the three lots, comparing their rates with rates in the ramps, and mapping their locations.

EXHIBIT 1
SURFACE PARKING LOT A DESCRIPTION
1500 4th Street South

General Information:

Stalls 93
Entrances 1
Exits 2

Hours of operation: 24 hours/day; occupancy oftentimes at 100% full

Rate Structure:

Daily	Event	Monthly
0-2 hours: \$2 2-4 hours: \$4 24 hours: \$6 Evenings after 4 pm: \$2	TBD by CPED and Operator	\$42.10 CRBA \$21.05 CRBA part-time \$40.93 WBCDC, 7 spaces \$75/month - Residents

Method of Operation:

Note: Cashierless

Daily Parking : Pay on foot

Event Parking: Pay meter or event attendant

Monthly Parking: All payments are made to the location through the use of mail or electronic meters.

Additional Operational Information:

Attendant required for event parking.

EXHIBIT 2
SURFACE PARKING LOT B DESCRIPTION
18th and 3rd Street South

General Information:

Stalls 74
Entrances 2
Exits 1

Hours of operation: 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.

Rate Structure:

Daily	Event	Monthly
1st 1/2 hour: \$1	TBD by CPED	\$40.93, five monthly spaces for WBCDC
1/2 -1 hour: \$2.25		
1-2 hours: \$4.50		
2-3 hours: \$6.75		
3-4 hours: \$9		
4-5 hours: \$11.25		
5-6 hours: \$13.50		
6-7 hours: \$15.75		
7-24 hours: \$18		
When not staffed, meter is set at the following rates:		
0-3 hours: \$1	<u>Parking Stickers: \$1 value</u> Book of 100: \$27/book; 2-9 books: \$21.60; 10-49 books: \$18.90; 50+ books: \$13.50	
3-6 hours: \$3		

Method of Operation:

Note: Cashier
Daily Parking
Event Parking
Monthly Parking

Additional Operational Information:

Lot closes down 3-5 consecutive days twice a year for the Midwest Mountaineering Expo. Operator will be paid \$125.00 per day (amount determined by CPED and Operator).

**EXHIBIT 3
SURFACE PARKING LOT C DESCRIPTION
18th and Riverside Avenue South
AND RATE COMPARISON**

General Information:

Stalls 59
Entrances 1
Exits 1

Hours of operation: 24 hours/day

Rate Structure:

Daily	Event	Monthly
0-2 hours: \$2 2-4 hours: \$4 4-8 hours: \$8 8-12 hours: \$12 Overnight / weekends: \$3	TBD by CPED	\$66 <u>Reserved</u> 7-Associated Bank \$50 10-Al Karama Mall \$75 Residents (rates higher due to fewer spaces available to dedicate to monthly)

Method of Operation:

Note: Cashierless

Daily Parking: Pay on foot

Event Parking: Pay meter or event attendant

Monthly Parking: All payments are made to the location through the use of mail or electronic meters.

Rate Comparison

Rates at Seven Corners Ramp	Rates at U of M Ramp
1 hour: \$1 1-2 hours: \$2 2-3 hours: \$3 3-4 hours: \$4 4-5 hours: \$5 5-12 hours: \$6 12-24 hours: \$9.50 evenings, non event: \$2.50 motorcycle: \$2 Twins events: \$2.50 Vikings events: \$6 contract parking: \$75	1 hour: \$2.50 1-2 hours: \$5 2-3 hours: \$7 3-4 hours: \$8 4-5 hours: \$9 5-6 hours: \$10 6-7 hours: \$11 7-24 hours: \$12 evenings, non event: \$5 contract parking: \$87.50

EXHIBIT 4
RATE STRUCTURE

	Lot A	Lot B	Lot C
Hourly	0-2 hours: \$2 2-4 hours: \$4 24 hours: \$6 Evenings after 4 pm : \$2	1st 1/2 hour: \$1 1/2 -1 hour: \$2.25 1-2 hours: \$4.50 2-3 hours: \$6.75 3-4 hours: \$9 4-8 hours: \$13.50 8+ hours: \$18 When not staffed, meter is set at the following rates: 0-3 hours: \$1 3-6 hours: \$3	0-2 hours: \$2 2-4 hours: \$4 4-8 hours: \$8 8-12 hours: \$12 Weekends & Nights: \$3
Contract	CRBA: \$42.10/month; Residents: \$75/month; CRBA part-time employees: \$21.05/month; WBCDC has 7 spaces at \$40.93/month.	WBCDC has 5 spaces at \$40.93/month.	Bank has 7 reserved spaces at \$66/month; Al Karama Mall has 10 spaces at \$50/month; Residents pay \$75/month.
Voucher	Business reimbursed 73 cents on the dollar by Operator	N/A	Business reimbursed 73 cents on the dollar by Operator
Books	N/A	Parking stickers are provided by Operator: \$2.25: Book of 100: \$54; 2-9 books: \$43.20; 10-49 books: \$37.80; 50 + books: \$27 \$1 Book of 100: \$27; 2- 9 books: \$21.60; 10-49 books: \$18.90; 50+ books: \$13.50	N/A

Notes- Use of parking lots for community events (e.g. Night Out, Midwest Mountaineering's Outdoor Adventure Expo, KFAI fair, etc.) will be subject to CPED approval on a case-by-case basis: \$125.00/ day. All rate changes are subject to CRBA review and CPED approval.