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October 14, 2022

**The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102**

Subject: Request for Approval – Contracts

- 1. SFMTA Contract 2021-64/1 with LAZ Parking California, LLC***
- 2. SFMTA Contract 2021-64/2 with IMCO Parking, LLC***

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors approve the following two contracts to manage public parking facilities under the jurisdiction of the SFMTA

- SFMTA-2021-64/1 with LAZ Parking California LLC, Group A for a contract term not to exceed 9 years and a contract amount not to exceed \$180 million.
- SFMTA-2021-64/2 with IMCO Parking, LLC, Group B for a contract term not to exceed 9 years and a contract amount not to exceed \$180 million.

The SFMTA submits these two contracts to the Board of Supervisors for its approval in accordance with Charter section 9.118(b), because, because expenditures under each of the proposed contracts will exceed \$10 million.

Background

Proposition D in 1987 created the Department of Parking and Traffic (DPT) and gave DPT authority over parking garages not owned by the Airport or the Port. The SFMTA succeeded to that authority when DPT merged with the SFMTA on July 1, 2002. Charter §§ 8A.112(a), 8A.113(a); Administrative Code Sections 17.7, 17.8, 17.17. The SFMTA manages public parking garages the Recreation and Park Department owns, as directed by Charter Section 4.113.2.

The SFMTA operates 18 parking garages and 21 parking lots – three of the parking lots are included in the proposed contracts, the remaining 18 lots are metered lots not covered by the contracts. The SFMTA owns 11 ½ of the 18 garages it operates: Ellis O’Farrell Garage, Sutter Stockton Garage, Fifth and Mission Garage, Golden Gateway Garage, Mission Bartlett Garage, Performing Arts Garage, Moscone Center Garage, 16th & Hoff Garage, Pierce Street Garage, Vallejo Street Garage, St. Mary’s Square Garage (one-half), and the Japan Center Garages. The SFMTA also operates the 7th & Harrison Lot. As required by Charter section 4.133, the SFMTA also manages 3 ½ off-street public parking facilities constructed under Recreation and Park Department property, which are Civic Center Garage, Union Square Garage, Portsmouth Square Garage and one-half of St. Mary’s Square Garage. (RPD



owns the portion of the St. Mary's Garage under St. Mary's Square, and the SFMTA owns the other half.) At the request of the RPD, the SFMTA manages the parking lot at Kezar Stadium, as well.

The SFMTA also operates four parking garages that the Parking Authority of the City and County of San Francisco (Parking Authority) owns: Lombard Street Garage, North Beach Garage, Polk-Bush Garage, and the General Hospital Garage. The Parking Authority is governed by State law. Calif. Streets and Highway Code § 32500 et seq. The SFMTA Board of Directors sits *ex officio* as the Parking Authority Commission, setting policies and approving contracts concerning Parking Authority garages. (Sts. & Hwy Code § 32656(c), Charter § 8A.112.A.) To more efficiently manage Parking Authority garages, in November 2007, the Parking Authority Commission contracted with the SFMTA to manage the Parking Authority's garages, applying the same policies and administrative procedures as the SFMTA uses to manage SFMTA garages. (MTAB Res. No. 07-71 Nov. 6, 2007.)

Structure of Proposed Contracts

Under the proposed garage management contracts, the SFMTA will pay the selected garage management firms a fixed monthly management fee of \$10,000 and will reimburse the garage managers' operating expenses as provided in SFMTA-approved annual budgets. This arrangement is common and is a current best practice in the parking industry. In approving annual budgets for operating expenses, the SFMTA may better ensure that the facilities are properly operated and maintained. Managers cannot increase their profits by cutting corners in maintenance, but managers bear the risk that if they do not operate facilities efficiently, they may have to pay additional expenditures necessary to operate the facilities as required by their contracts.

New Parking Management Technology (PARCS)

During the terms of the current contracts, the SFMTA implemented a comprehensive upgrade of the Parking Access And Revenue Control System (PARCS) equipment, which provide greater security, oversight and control over garage entries, exits, and tickets, and tracks occupancy and reports parking revenues in real time through a City-owned fiber-optic data network. The additional control over garage entrances and exits and the full automation of nearly all payment transactions has significantly enhanced security of garage revenues, which has helped to maintain garage revenues even during the gradual downward trend in garage utilization over the last five years (excluding the significant drop in garage revenues due to the pandemic).

RFP and Evaluation Process

As approved by the SFMTA Board, the Agency issued RFP #SFMTA-2021-64 on January 27, 2022, which solicited proposals from qualified parking garage management firms.

Four proposers submitted proposals that met the requirements of the RFP. The proposals included a Management/Operations Plan, a Marketing/Collaboration Plan, a Maintenance Plan, a Security and Safety Plan, and a Cost Proposal for operational expenses that are within the operator's control (e.g.



personnel and labor costs, insurance premiums, credit card processing/PCI-DSS compliance costs, and security, maintenance and janitorial costs.) An evaluation panel scored each proposal using these criteria, and each proposer received a score of up to 150 points on its written proposal (which included 35 points for costs). Oral interviews were then held with each of the four proposers, and each proposer’s interview presentation was be scored up to a maximum score of 50 points.

The ranking of the four proposers by the evaluation panel was:

1. LAZ Parking California, LLC	174.26 points
2. IMCO Parking, LLC (joint venture of Imperial Parking and Convenient Parking)	170.93 points
3. SP+ Municipal Services	157.6 points
4. Propark Mobility	157.33 points

LAZ Parking California, as the highest-ranking proposer, was offered its choice of groups and selected Group A. IMCO Parking, in turn, was offered and accepted Group B.

Garage Managers’ Scope of Work

Through the proposed two multi-year contracts, the operators will provide day-to-day operation and management services for their assigned parking facilities, which include PARCS management, janitorial services, security, and facility maintenance. The proposed contracts state those requirements and also incorporate the SFMTA’s Parking Facility Operation and Management Regulations, which provide detailed operations requirements.

The 21 garages and lots are divided into Group A and Group B:

Group A – 9 Facilities	Group B – 12 Facilities
1. Ellis O’Farrell Garage, 123 O’Farrell	1. Japan Center Garages, 1610 Geary
2. Fifth & Mission Garage, 833 Mission	2. Civic Center Garage, 355 McAllister
3. Kezar Lot, 825 Stanyan	3. Golden Gateway Garage, 250 Clay
4. Mission Bartlett Garage, 3255 21 st St.	4. Lombard Garage, 2055 Lombard
5. Moscone Center Garage, 255 3 rd St.	5. North Beach Garage, 735 Vallejo
6. 7 th & Harrison Lot, 415 7 th St.	6. Performing Arts Garage, 360 Grove
7. General Hospital Garage, 2500 24 th St.	7. Pierce Garage, 3252 Pierce
8. 16 th & Hoff Garage, 42 Hoff	8. Polk Bush Garage, 1399 Bush
9. Union Square Garage, 333 Post	9. Portsmouth Square Garage, 733 Kearny
	10. St. Mary’s Square Garage, 433 Kearny
	11. Sutter Stockton Garage, 444 Stockton
	12. Vallejo Garage, 766 Vallejo



The facilities in each group are roughly equivalent in number of parking stalls and annual revenue. For administrative efficiency, the Kezar Stadium parking lot and the parking lot at 7th & Harrison Streets are also included in these groups. The garage groupings were reviewed by contract compliance staff, which established a Local Business Enterprise (LBE) goal of 16 percent for Group A and 12 percent for Group B. In accordance with the RFP, the Japan Center Garages were added to Group B, in accordance with a pending amendment to the Japan Center Garage lease with the City of San Francisco Japan Center Parking Corporation.

Contract Costs and Garage Revenues

The estimated value of each contract is \$180 million, which includes the garages' operating costs garages and \$10,000 monthly management fees, which total approximately \$20 million per year over the nine-year term. (That amount also includes parking taxes that the operators and the SFMTA collect from parkers and remit to the Tax Collector). The garage operating costs and administrative fees paid to the garage management companies are operating expenses included in the SFMTA's bi-annual budgets.

Each month during the term of the contracts, the SFMTA will reimburse the garage managers their operating expenses, based on annual operating budgets prepared by each garage manager and approved by the SFMTA. The reimbursed operating costs are included in the SFMTA's bi-annual operating budgets. A summary of annual garage operating expenses for all 21 parking facilities managed under the proposed two contracts for FY21-22 is shown below:

FY21-22 Garage Expenses

Expense Categories	Annual Total
<i>Total</i>	<i>\$31.2 million</i>
Labor	\$8.6 million
Utilities	\$2.2 million
Maintenance	\$1.1 million
Supplies	\$0.3 million
Contracted Services	\$2.2 million
Fees	\$4.5 million
Parking Tax	\$12.3 million

Garages the SFMTA and the Parking Authority own generated approximately \$32 million in net income per year (pre-pandemic), which are dedicated to support public transit. The Recreation and Parks Department receives the net income from the 3 1/2 parking facilities it owns, which total approximately \$8 million per year (pre-pandemic).



Alternatives Considered

The SFMTA could, with Board of Supervisors approval, extend the existing contracts, but doing so would not accord with City and SFMTA contracting policies that contracts should be put to competitive bid at regular intervals to ensure that the City receives the best services at reasonable prices.

The SFMTA could reconfigure the two groups of garages to multiple smaller groups or contract for the management of individual garages, but doing so would cause the Agency to lose the operational efficiencies and cost benefits gained through consolidation of operations and implementation of the PARCS, as small parking operators would not have the IT resources to operate the PARCS.

The SFMTA could award a contract to a single management firm to manage all the garages. But the Agency has obtained significant value in having more than one vendor, as that provides the Agency an on-going comparison of efficient operations and provides the Agency a means to continue operating all facilities if one operator fails to meet service obligations.

SFMTA Board Approval

On September 20, 2022, The SFMTA Board of Directors approved Resolution No. 220920-084 approving Contract No. SFMTA-2021-64/1 with LAZ Parking California, LLC for a total term not to exceed 9 years and a contract amount not to exceed \$180 million, and approving Contract No. SFMTA-2021-64/2 with IMCO Parking, LLC for a total term not to exceed 9 years and a contract amount not to exceed \$180 million.

Request

The SFMTA respectfully requests that the Board of Supervisors approve resolutions approving Contract No. SFMTA-2021-64/1 with LAZ Parking California, LLC for a total term not to exceed 9 years and a contract amount not to exceed \$180 million, and Contract No. SFMTA-2021-64/2 with IMCO Parking, LLC for a total term not to exceed 9 years and a contract amount not to exceed \$180 million.

Please contact me if I can provide any additional information.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey P. Tumlin".

Jeffrey P. Tumlin
Director of Transportation