



London Breed, Mayor

Gwyneth Borden, Chair
Amanda Eaken, Vice Chair
Cheryl Brinkman, Director
Steve Heminger, Director

Fiona Hinze, Director
Sharon Lai, Director
Manny Yekutieli, Director

Jeffrey Tumlin, Director of Transportation

January 21, 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 – Contract Modifications

- 1. No. 5 to SFMTA Contract 2011-12/9 with Imperial Parking, LLC**
- 2. No. 7 to SFMTA Contract 2011-12/10 with IMCO Parking**
- 3. No. 5 to SFMTA Contract 2011-12/11 with LAZ Parking California, LLC**
- 4. No. 4 to a Contract with IMCO Parking to manage 5th & Mission Garage**

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors authorize the Director of Transportation to approve amendments to four garage management contracts. The proposed amendments will modify the four existing contracts as follows:

- *SFMTA-2011/12-9 with Imperial Parking (U.S.) LLC Group A, Fifth Amendment* – The amendment extends the term of the existing contract by one year for a total term of 11 years and increases the contract value \$5,204,448 for a total contract amount not to exceed \$65,588,907.
- *SFMTA-2011/12-10 with IMCO Parking LLC Group B, Seventh Amendment* – The amendment extends the term of the existing contract by one year for a total term of 11 years and increases the contract value \$3,423,007 for a total contract amount not to exceed \$45,684,255.
- *SFMTA-2011/12-11 with LAZ Parking California LLC Group C, Fifth Amendment* – The amendment extends the term of the existing contract by one year for a total term of 11 years and increases the contract value \$6,632,821 for a total contract amount not to exceed \$92,377,245.
- *IMCO Parking LLC 5th & Mission Garage, Fourth Amendment* – The amendment extends the term of the existing contract by one year for a total term of 11 years and increases the contract value \$3,519,692 for a total contract amount not to exceed \$46,478,944.

These four amendments are submitted to the Board of Supervisors for its approval in accordance with Charter section 9.118(b) because the amendments would extend the term of the contracts beyond ten years, and because in evaluating the total expenditures of each contract, the values of each contract exceed \$10 million.

BACKGROUND

Under the oversight of the SFMTA's Parking & Curb Management section of the Streets Division, the SFMTA manages 16 City-owned parking garages and lots and four parking garages owned by the Parking Authority, which are operated by contracted parking-management vendors. (The Parking Authority is a separate agency from the SFMTA. The members of the SFMTA Board sit *ex officio* as the Parking Authority Commission. The SFMTA manages the Parking Authority's garages under a contract with the Parking Authority Commission.) The SFMTA has divided the 20 garages into three groups (A, B, and C), and has contracted with parking management companies to operate the garages in the group assigned to them. The majority of garage revenues are dedicated to support public transit, as directed by Charter section 8A.105(e)(2) and Parking Authority policies. In accordance with Charter section 4.113.2, net revenues from the Union Square Garage, the Portsmouth Square Garage, the Civic Center Garage and half of the St. Mary's Square Garage are dedicated to the Recreation and Parks Department, as those garages are located under parklands.

Group A, B, and C Contracts

On December 6, 2011, the SFMTA Board of Directors (Board) and the Parking Authority Commission (Commission) adopted Resolutions No. 11-144 and 11-145, respectively, approving Contracts Nos. SFMTA-2011/12-9, SFMTA-2011/12-10, and SFMTA-2011/12-11 for Operation and Management of Off-Street Parking Facilities, Groups A, B, and C, with Pacific Park Management, IMCO Parking LLC, and LAZ Parking California, LLC, respectively. Each contract was for an amount not to exceed \$907,920 (based on the management fees to be paid to garage managers, but excluding reimbursable operating expenses), and each had a base term of six years with options to extend the term an additional three years for a total term of nine years, commencing on February 1, 2012. For reasons that are not clear, the value of each of these contracts was calculated using only the management fees paid the garage management companies, and the garage management firms' operating expenses that the SFMTA reimburses the management companies were not included in those calculations. Staff recognizes this regrettable error and has recalculated the value of the contracts and their respective amendments (discussed below), so that the total contract amount includes all City-expenditures paid to manage and operate the garages.

5th & Mission Garage Contract

On January 3, 2012, the SFMTA Board adopted Resolution No. 12-3, which approved the terms of the contract between the City of San Francisco Downtown Parking Corporation, which leased the garage from the SFMTA, and IMCO Parking LLC for Operation and Management of the 5th & Mission Garage for a term not to exceed nine years and a total not-to-exceed contract amount of \$587,510. In the summer of 2013, the lessee Parking Corporation dissolved, the garage lease terminated, and the SFMTA regained possession and control of the garage. On September 24, 2012,

the Director of Transportation approved the assignment of the IMCO management contract to the SFMTA. IMCO has managed the garage since then under SFMTA oversight.

Prior Contract Amendments

As described in detail below, each of the four parking management contracts has been amended several times; the Director of Transportation approved those amendment under authority the SFMTA Board of Directors delegated to him with the exception of one item approved by the SFMTA Board and the Parking Authority Commission on January 19, 2021 (see Group C detail below). Note that in the first few years of the contracts, four garages that had been leased to non-profit parking corporations were terminated, the corporations dissolved, and the SFMTA gained direct control of the garages. In total, six garages were added to garage groups and \$1,266,925 in management fees were added to the respective contract value of \$3,311,270 for the four contracts, for a current cumulative contract amount of \$4,578,195 for the four contracts.

- *Group A Amendments* – Four amendments to this contract have:
 - Added two additional garages to the original six garages
 - Transferred the contract from Pacific Park Management (PPM) to Imperial Parking when Imperial purchased PPM.
 - Exercised two options for 18-month term extensions
 - Exercised a one-year term extension (resulting in a term of 10 years)
 - Added \$443,938 to the initial contract amount of \$907,920, for a revised total contract amount of \$1,351,858 (calculated on management fees; actual total expenditures were \$60,384,459).

- *Group B Amendments* – Six amendments to this contract have:
 - Added two garages to the original two garages
 - Exercised two options for 18-month term extensions
 - Exercised a one-year term extension (for a total term of 10 years)
 - Added \$197,640 to the initial contract amount of \$907,920, for a revised total contract amount of \$1,105,560 (calculated on management fees; actual total expenditures were \$42,261,248).

- *Group C Amendments* – Four amendments to this contract have:
 - Added two garages to the original five garages
 - Exercised two options for 18-month term extensions
 - Exercised a one-year term extension (for a total term of 10 years)
 - Added \$550,122 to the initial contract amount of \$907,920, for a revised total contract amount of \$1,458,042 (calculated on management fees; actual total expenditures were \$85,744,424).
 - **Note: The Fourth Amendment to the Group C contract was approved by the SFMTA Board and Parking Authority Commission on January 19, 2021.*

- *5th & Mission Garage Amendments* – Three amendments to this contract have:
 - Exercised two options to extend the term a total of four years
 - Exercised a one-year term extension (for a total term of 10 years)
 - Added \$75,225 to the initial contract amount of \$587,510 for a total contract amount of \$662,735 (calculated on management fees; actual total expenditures were \$42,959,252).

Extension of Existing Contracts Pending Issuance of a Request for Proposals for New Contracts

SFMTA staff planned to issue a Request for Proposals (RFP) in the summer of 2021 seeking proposals for new parking operator contracts to start on February 1, 2022; however, the COVID-19 pandemic disrupted the parking industry and dramatically reduced vehicle occupancies in the garages. Staff requires additional time to further reevaluate the operations and management of the parking facilities given changed occupancy due to fewer commuters, visitors, and shoppers in the areas that the garages serve. To provide that additional time, staff proposes to extend the four existing garage contracts to January 31, 2023. Staff anticipates issuing a new RFP for garage management in January 2022. New operator contracts pursuant to the RFP process will be submitted for approval to the SFMTA Board of Directors and Parking Authority Commission, and then to the Board of Supervisors by December 2022. The new contracts will commence no later than February 1, 2023.

Adjustment to Contract Amount

As noted above, when the four contracts discussed in this memo were developed in 2011, it was determined that only the monthly management fee paid to the contracted parking operators needed to be used to calculate the contract amount for purposes of determining whether Board of Supervisors' approval of the contracts was required under Charter section 9.118. Using only the management fees to make that calculation excluded the majority of expenditures incurred under those contracts, such as labor, benefits, and maintenance expenditures. During recent discussions between the Budget and Legislative Analyst, SFMTA staff, and the City Attorney's Office, it was agreed that the determination made in 2011 was incorrect and that all expenditures for the operation of the garages (management fees and reimbursed operating expenses) should have been included in calculating the contract amount. Staff has added language to the proposed Resolution that retroactively approves past expenditures and approves expenditures for the extension periods. Using this corrected calculation of contract amounts, the total expenditures already incurred under each contract, as well as the projected expenditures to be incurred during the proposed one-year extensions, are set out below.

Total Expenditures by Contract

Contract	Actual Expenditures 2.1.12 - 1.31.22	Projected Expenditures Year 11	Total
Group A	\$ 60,384,459	\$ 5,204,448	\$ 65,588,907
Group B	42,261,248	3,423,007	45,684,255
Group C	85,744,424	6,632,821	92,377,245
5th & Mission*	42,959,252	3,519,692	46,478,944

**contract began on 3.1.2012*

ALTERNATIVES CONSIDERED

SFMTA staff considered proceeding with an RFP process for garage operators in the summer of 2021. However, the COVID-19 pandemic has disrupted the parking industry and dramatically reduced vehicle occupancies in the garages. Staff requires additional time to further evaluate the operations and management of the parking facilities and most effectively set the stage for an optimal RFP process.

STAKEHOLDER ENGAGEMENT

Staff reviewed the proposed one-year delay of the RFP process and one-year extension of the contracts with all major stakeholders in garage operations, including SFMTA executive management and all current garage operators. After detailed review and discussion of the potential impacts, all parties supported the proposal.

FUNDING IMPACT

Operating funds required to pay the fees due to the parking operators under the proposed amendments are budgeted in the approved SFMTA two-year budget.

SFMTA BOARD ACTION

On October 5, 2021, The SFMTA Board of Directors and Parking Authority Commission approved Resolutions 211005-112 and 211005-113 approving amendments to four garage management contracts: SFMTA-2011/12-9 with Imperial Parking (U.S.) LLC for a total term of 11 years and a

contract amount of \$1,536,324; SFMTA-2011/12-10 with IMCO Parking LLC for a total term of 11 years and a contract amount of \$1,243,152; SFMTA-2011/12-11 with LAZ Parking California LLC for a total term of 11 years and a contract amount of \$1,630,208; Fifth and Mission Garage Management Contract with IMCO Parking LLC for a total term of 11 years and a contract amount of \$740,217, and requesting the Board of Supervisors to approve the four contract amendments.

REQUEST

The SFMTA requests that the Board of Supervisors approve resolutions approving amendments to four garage management contracts, which amendments reflect all actual and anticipated expenditures to manage and operate the garages:

- SFMTA-2011/12-9 with Imperial Parking (U.S.) LLC, Group A, Fifth Amendment for a total term of 11 years, to increase the contract amount by \$5,204,448 for a total contract amount of \$ \$65,588,907.
- SFMTA-2011/12-10 with IMCO Parking LLC, Group B, Seventh Amendment, for a total term of 11 years, to increase the contract amount by \$3,423,007 for a total contract amount of \$45,684,255.
- SFMTA-2011/12-11 with LAZ Parking California LLC, Group C, Fifth Amendment, for a total term of 11 years, to increase the contract amount by \$6,632,821 for a total contract amount of \$92,377,245.
- Fifth and Mission Garage Management Contract with IMCO Parking LLC, Fourth Amendment, for a total term of 11 years, to increase the contract amount by \$3,519,692 for a total contract amount of \$46,478,944.

Sincerely,



Jeffrey P. Tumlin
Director of Transportation