

MEMORANDUM

March 17, 2016

TO: MEMBERS, PORT COMMISSION
Hon. Willie Adams, President
Hon. Kimberly Brandon, Vice President
Hon. Leslie Katz
Hon. Eleni Kounalakis
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Interim Executive Director

SUBJECT: Presentation on the responses to the Request for Proposal Opportunity for Lease and Operation of Surface Parking Lots in the Northern Waterfront (the "Parking RFP") and:

Request action to award the opportunity described in the Parking RFP to SP+ and Hyde Park Management and authorize staff to initiate negotiations for (i) a five year lease for SWL 321, bounded by the Embarcadero, Front Street and Green Street and (ii) a three year lease with two one-year Port options to renew for SWL 323-324 surface parking lots bounded by the Embarcadero, Broadway Street and Davis Street; and (iii) interim parking at (a) Seawall Lot 322-1 bounded by Broadway Street, Front Street and Vallejo Street, (b) Pier 19½ on the Embarcadero at Greenwich Street, (c) Pier 29½ on the Embarcadero at Chestnut Street, and (d) Pier 33 on the Embarcadero at Bay Street.

DIRECTOR'S RECOMMENDATION: Approve the attached resolution.

EXECUTIVE SUMMARY

Port staff received authorization from the Port Commission on May 26, 2015 pursuant to Resolution No. 15-20 to issue a Request for Proposals (the "RFP") to operate surface parking lots in the Northern Waterfront including Seawall Lots 321, 323-324, 321-1 Pier Sheds 19½, 29½ and 33 (collectively, the "Parking Sites"). These Parking Sites are currently operated on a month-to-month holdover basis.

THIS PRINT COVERS CALENDAR ITEM NO. 11A

To proceed with the RFP, the Port Commission requested that staff increase opportunities to Local Business Enterprises (LBEs) which staff has done through requiring an LBE to be a partner in the winning bidder and through an extensive outreach process which is described later in this report.

On November 5, 2015 the Port issued the RFP for Lease and Operation of Surface Parking Lots in the Northern Waterfront for the Parking Sites the Parking RFP to approximately 50 prospective parking management companies. The Port received four (4) written proposals from a combined eight (8) firms. A three-member panel comprised of both Port and SFMTA staff, with leasing and parking management expertise, evaluated, scored and ranked each written proposal and oral presentations as outlined below. The joint venture comprised of SP+ and Hyde Park Management received the highest overall score.

Port staff is before you today to request an award of the RFP and your authorization to enter into lease negotiations with SP+ and Hyde Park Management.

BACKGROUND

In early 2010, following a competitive bid process and approvals by the Port Commission and Board of Supervisors, the Port entered into Lease No. L-14747, effective January 1, 2010 with Priority Parking-CA, LLC for SWL 321, 322-I and SWL 323-324 for a three (3) year term. Priority Parking payed rent equal to the greater of a minimum monthly base or 66% of the gross revenues net of the city parking taxes. For the twelve-month reporting period from December 2013 through November 2014, approximately \$2,341,000 was generated in annual minimum rent with an additional \$80,000 in percentage rent paid for a total annual revenue of \$2,421,000 from the three (3) combined lots. Piers 19½, 29½ and 33 were designated expansion lots per the terms of the lease and due to the interim use pay the Port 66% of the gross revenue net of city parking taxes. There was no minimum rent requirement. For the twelve-month reporting period beginning December 2013 through November 2014 approximately \$395,000 was paid from the three combined expansion lots. The lease term expired on December 31, 2012 and operated on a month-to-month holdover basis under the same terms and conditions however annual base rent was escalated by 3%. Then in October 2015 the Port received a 30 day notice of termination from Priority Parking indicating that it was exiting the San Francisco market and would no longer operate SWL 321, 322-I and SWL 323-324 or the expansion lots (Pier Shed 19½, Pier Shed 29½ and Pier Shed 33). Port staff determined that in order to keep the lots operating, it would amend the lease of Central Parking Systems Inc. (now owned by SP+) who is the tenant and operator of the Port parking lots at SWL 301, 314 and Pier 45 to incorporate all of the lots that Priority Parking was operating. Central Parking agreed to continue to operate these additional lots on the same terms as Priority Parking operated them. The lease with Central Parking continues to operate on a monthly holdover basis. Priority Parking cooperated with the Port during the transition and now temporarily rents its revenue control equipment to the new operator.

STRATEGIC OBJECTIVE

This leasing opportunity meets the Port's strategic objective of expanding the Port's diversity in lease opportunities through increased outreach to underserved communities and through

developing partnerships. Port staff's outreach efforts related to the issuance of the Parking RFP has increased the number of Contract Management Division's certified LBEs providing parking management services from five to nine certified firms.

COMMUNITY OUTREACH

In an effort to create opportunities for small local businesses, the Parking RFP required prime consultants to share management opportunities, profits and to create a shared power structure with an LBE firm.

Port staff commenced an extensive community-based outreach program in September 2015 that included several organization, individuals, associations and agencies to promote the Parking RFP to the broadest possible audience.

The purpose of the initial outreach was to identify small and local parking companies in San Francisco. The first phase of outreach utilized the vendor lists from all San Francisco agencies (SFMTA, San Francisco International Airport, Office of Economic and Workforce Development and Contract Monitoring Division). All of the parking operators listed with any of the City agencies were contacted and informed of the Port's upcoming opportunity for small, local operators to participate in the managing of Port surface parking lots on the Northern waterfront.

The second phase of the outreach program included appearances at meetings and conferences sponsored by groups such as, The National Association of Minority Contractors, where the Port set up an informational booth at its national conference on Treasure Island. Port staff attended more than twenty (20) community meetings in San Francisco. Port staff met with multiple community groups that included the African American Chamber of Commerce Hispanic Chamber of Commerce Chinese Chamber of Commerce, the San Francisco Economic Opportunity Council, the Cultural Services Center in North Beach/Chinatown, Young Community Developers, the Building Owners and Managers Association, Urban Strategies and the Bay Area Labor Council.

Port staff visited many parking operations in San Francisco and spoke to workers and owner/operators about the opportunities at the Port. Port staff met with the Contract Assistance Center at Candlestick Point, West Bay Community Center in the Western Addition, Southeast Community Center in the Bayview and the Mission Cultural Center. Over twenty companies attended the last outreach meeting held by Port staff.

Staff efforts increased the number of "certified" LBE parking management companies from five to nine. Additionally, two additional companies are in the process of reregistering their companies in order to bid on future parking lot management opportunities the Port may have in the future.

On November 9, 2015, the Port held a pre-submittal conference which was attended by representatives from 15 parking management companies. The pre-submittal conference was followed by a tour of the surfaces parking lots.

SELECTION PROCESS

The Request for Proposals was advertised on November 5, 2015, with a proposal due date of December 17, 2015 (extended to December 22, 2015).

On December 22, 2015, the Port received four written proposals in response to the Parking RFP. Port staff determined that all four proposals met the minimum qualifications.

Selection Panel

A three-member selection panel was convened to evaluate and score proposals on February 1, 2016. The panel consisted of a Property Manager from the Port, a San Francisco Municipal Transportation Agency Contract Manager, and the Port's Assistant Deputy Director of Real Estate.

Evaluation Criteria

Written proposals were evaluated and scored by each member of the selection panel based upon the following criteria:

- 20 points – Qualifications and experience
- 25 points – Management Approach/Staffing/Operational/Marketing Plan
- 25 points – Strength and structure of partnership
- 10 points – Innovation technology
- 10 points – Security and safety plan
- 10 points – Accountability and clarity of proposal
- 100 points total

The Parking RFP stated that the top three respondents with scores over 70 points would be eligible to participate in oral interview phase of the evaluation process. Port staff forwarded all four proposals to the oral interview phase given the very narrow differential in scores and that all the scores were above 70 points.

Oral interviews were evaluated and scored by each member of the selection panel based upon the following criteria:

- 5 points – Firm and Staff Qualifications
- 5 points – Management Approach
- 10 points – Strength and Structure of Partnership
- 5 points – Security and Safety
- 25 points total

The complete rankings are shown in the following table:

Team	Written Proposal Score (Avg/Total 100/300)	Rank	Oral Interview Score (Avg/Total 25/75)	Rank	Final Total Score (out of 375)	Final Average Score (out of 125)	Final Ranking
SP+ /Hyde Park Management	76/229	2	21/63	1	292	97	1
LAZ/ABC	78/234	1	18/53	2	286	95	2
Impark/Convenient	72/215	3	18/53	3	268	89	3

SF Waterfront Parking	70/210	4	17/52	4	263	88	4
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Port staff issued a Notice of the Most Qualified Respondent on February 19, 2016. A written protest was received on February 26, 2016 from the lowest ranked respondent, SF Waterfront Parking. Port staff carefully reviewed the protest and denied it based on procedural and substantive grounds on March 10, 2016.

MOST QUALIFIED RESPONDENT

Hyde Park Management (HPM) is a small parking and management company located and operating in San Francisco. The two owners have combined experience of over 25 years in parking operations. Currently HPM operates three parking facilities and has 13 employees. Both managing members of the company have worked in different capacities in a variety of parking operations, including public garages and residential facilities in a number of private locations in San Francisco and Oakland.

SP+ is an industry leader in providing public and private parking management, transportation and maintenance services. SP+ operates in more than 4,200 locations and in over 400 cities. SP+ has been operating the Fisherman’s Wharf parking lots on behalf of the Port for approximately five (5) years and is providing excellent service, reporting and communication to the Port. SP+ currently operates the former Priority lots for the Port and also operates the Triangle Parking lots and associated expansion areas at Fisherman’s Wharf for the Port

According to their joint bid package, SP+ and Hyde Park Management will share in all revenue, expenses, profits, risks and capital requirements. Both will participate in the day-to-day activities of the parking operations and compliance with the lease.

SP+ will provide mentorship and training to the Hyde Park Management team with the goal of expanding Hyde Park Management’s experience and exposing them to industry best practices. SP+ management team will provide Hyde Park Management with detailed operational policies and best practices for every aspect of the parking operations including the following key topics:

- Accounting and reporting
- Audit compliance
- Claims processing
- Employee training
- Interactive marketing and online sales
- Maximizing revenue
- Revenue control
- Risk and safety compliance
- Subcontractor and vendor agreements
- Traditional marketing

The partnership proposes to bring active management, technology and increased revenues to these Port assets. Project milestones include:

- Consistent year over year revenue growth
- Participation and positive relationships with local stakeholder associations
- Environmentally sound management standards and best practices
- Expanding technology to include on-line payment systems that are currently in place in facilities already being managed by SP+, on-line area mapping to direct clients to available parking lots, expanding social media connections and tying marketing into the City websites
- Focus on local resources to staff and manage lots
- Improve lighting and safety in all lots
- Modernizing revenue capture equipment

Financial projections

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Net revenue	\$4.5 million	\$4.6 million	\$4.7 million	\$4.9 million	\$5 million	\$23.9 million
Base + %	\$3 million	\$3.1 million	\$3.3 million	\$3.4 million	\$3.5 million	\$16.5 million

Annual minimum rent adjustment to base rent = 3%

PROPOSED TERMS

Parcel A – SWL 321: Five years
 Parcel B – SWL 323-324: Three years (3) with two one (1) year options to renew at the sole discretion of the Port

Interim Term: All interim lots (SWL 322-1, Pier 19½, Pier 29½ and Pier 33) shall be delivered on the lease commencement date. Port has a unilateral right to terminate any interim lot upon 30 days prior written notice. Port can add other expansion lots.

Included in the negotiations will be proposed rent credits that the Port Commission will be asked to consider.

SCHEDULE

<u>Activity</u>	<u>Estimated Target Date</u>
Return to Port Commission for approval of lease	June 2016
Board of Supervisor Approval	July 2016
Lease Commencement	August 2016

RECOMMENDATION

Port staff is requesting that the Port Commission award the RFP opportunity to the SP+ and Hyde Park Management team and authorize staff to enter into lease negotiations with SP+ and Hyde Park Management based on the terms described in this staff report. Port staff will return to the Port Commission on June 14, 2016 to request an approval of a new lease with SP+ and

Hyde Park Management. After approval from the Port Commission the lease will be subject to Board of Supervisor approval.

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Attachments:

Maps for SWL 321, 322-1, 323-324; and Piers 19½, 29 ½, and Pier 33

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 16-12

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and
- WHEREAS, on May 26, 2015, the Port Commission, by Resolution 15-20, authorized Port staff to issue a request for proposals for leasing opportunity at Seawall Lots 321, 322-1, and 323-324, and Pier Sheds 19½, 29½, and 33, all located in the Northern Waterfront (collectively, the “Parking Sites”); and
- WHEREAS, on November 5, 2015, Port issued the Proposal Opportunity for Lease and Operation of Surface Parking Lots in the Northern Waterfront (the “Parking RFP”); and
- WHEREAS, a three-member selection panel with combined expertise in leasing and parking management was convened to review, evaluate and score the proposals against the objectives and evaluation criteria set forth in the Parking RFP; and
- WHEREAS, the Port staff has evaluated the scores of the selection panel and reviewed the Port staff analysis and has determined that the SP+ and Hyde Park Management’s proposal received the highest overall score from the selection panel and is the most responsive to the requirements of the Parking RFP; and
- WHEREAS, the permitted use will be a continuation of the existing use and is not a project subject to review under California Environmental Quality Act; and
- WHEREAS, Port staff is requesting authorization to enter into lease negotiations with SP+ and Hyde Park Management for the Parking Sites; now therefore be it;
- RESOLVED, based on the selection panel’s scores and Port staff analyses and recommendation, the Port Commission determines that SP+ and Hyde Park Management’s proposal received the highest overall score from the selection panel and is the most responsive to the requirements of the Parking RFP; and be it further
- RESOLVED, the Port Commission hereby awards to SP+ and Hyde Park Management the opportunity described in the Parking RFP and directs the Executive

Director to negotiate the terms of a lease for the Parking Sites on terms that do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port from the terms proposed by SP+ and Hyde Park Management and as described in the staff report accompanying this resolution and if these negotiations fail then Port staff is authorized to negotiate with the next most qualified Respondent; and be it further

RESOLVED, that the Port Commission reserves the right, if negotiations with SP+ and Hyde Park Management are unsuccessful or the parties are unable to obtain approval of a lease from the Port Commission and the Board of Supervisors, to undertake other efforts including, but not limited to, determining no new lease will be pursued for the Sites, or negotiating with the next highest scoring respondent to the Parking RFP, at the Port's sole discretion; and be it further

RESOLVED, that entering into lease negotiations does not commit the Port Commission to approval of a final lease or related documents.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 22, 2016.

Secretary