



DATE: MAY 31, 2017

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE OPERATING AGREEMENT WITH PARKING CONCEPTS, INC.

SUMMARY:

Staff requests approval of the Operating Agreement (Agreement) with Parking Concepts, Inc. (PCI) for the management, operation and maintenance of the parking facilities serving the World Cruise Center, Catalina Sea & Air Terminal, and the USS Iowa (Parking Facilities) and offsite parking lots, as needed. The Agreement is for a period of five years, with an option to renew for five years. Under the Agreement, PCI will furnish improvements to update the existing equipment to improve service levels. The City of Los Angeles Harbor Department (Harbor Department) reserves the right to terminate or cancel all or any part of the Agreement and will reimburse PCI for unamortized investments if canceled within five years. PCI will be financially responsible for remitting payments to the Harbor Department equaling 81 percent of gross receipts up to \$5 million, 82 percent of gross receipts over \$5 million up to \$6 million, and 83 percent of gross receipts over \$6 million. With the new agreement, it is expected that gross receipts, less allowable exclusions, will average approximately \$3.8 million a year and with revenue to the Harbor Department averaging \$3 million annually.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Find that in accordance with the Los Angeles City Charter Section 1022, the services required can be performed more feasibly by an outside contractor than by City employees;
3. Approve the Operating Agreement with Parking Concepts, Inc.;
4. Direct the Board Secretary to transmit the Agreement to the City Council for approval pursuant to Section 606 of the City Charter;
5. Authorize the Executive Director to execute and the Board Secretary to attest to the Operating Agreement upon approval of the City Council; and
6. Adopt Resolution No. _____.

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DISCUSSION:

Background – The Board granted Operating Agreement No. 2388 (Agreement No. 2388) to PCI for a five-year term, effective January 17, 2006 to January 16, 2011. As provided in Agreement No. 2388, PCI was granted a holdover.

Upon expiration of Agreement No. 2388, holdover status was granted, deemed as an extension of the agreement on a month-to-month basis and upon the same terms and conditions. The holdover provided the Harbor Department the flexibility to determine the optimal functional utility of the parking facility for adjacent tenants and operators due to the reduction of the parking area resulting from the expansion of operations of the adjacent tenant, China Shipping, and the forthcoming arrival of the USS Iowa in 2012.

Competitive Process - On October 28, 2016, the Real Estate Division released the Request for Proposals for Parking Operator for the World Cruise Center, Catalina Sea & Air Terminal, and USS Iowa. On November 9, 2016, the pre-proposal meeting and site visit was conducted and there were seven companies represented. Three proposals were received on December 20, 2016. The respondents included Joe's Auto Parks, LAZ Parking California, LLC, and the incumbent parking operator, PCI.

The five-member selection committee was comprised of a representative from the City of Los Angeles Department of Airports, the Financial Management Division, Engineering Division, and two representatives from the Waterfront & Commercial Real Estate Divisions. All proposals were evaluated on the following criteria:

- a. Firm qualifications, experience, and references;
- b. Personnel and staffing;
- c. Management and operations;
- d. Financial offer; and
- e. Investment in capital improvements.

PCI was the highest scoring respondent, garnering an average score that was 17 points higher than the next respondent. An interview was held on March 30, 2017 to clarify proposal terms and specifically discuss the financial proposal; proposed equipment such as pay-on-foot stations, a license plate capture system, workstations, and amortization; signage; and shuttle vans. Due to the ongoing improvements and forthcoming developments in the LA Waterfront, a provision in the Agreement would allow the Harbor Department to terminate or cancel all or a portion of the Agreement. Should the agreement be terminated during the initial five years, PCI will be entitled to a reimbursement of the unamortized investments. The total cost of proposed improvements is \$388,600.

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During the interview, valet services for cruise passengers and the manner in which it will be implemented were discussed. Additionally, with the increase in Harbor Department-sponsored activities along the LA Waterfront, there has been a need for services to manage and operate offsite Harbor Department parking lots such as at 22nd Street and Miner Street, the Outer Harbor, and at other lots, as may be designated in the future. PCI will also be replacing a portion of their shuttle fleet with four, 16-passenger shuttle buses.

In the proposed Agreement (Transmittal 1), PCI will remit payments to the Harbor Department equaling 81 percent of gross receipts up to \$5 million, 82 percent of gross receipts over \$5 million up to \$6 million, and 83 percent of gross receipts over \$6 million. The Agreement also includes provisions for valet services. Rates for oversight activities within the Parking Facility such as filming, special events, and remediation activities are \$24 per hour/attendant and \$30 per hour/supervisor. The same hourly rates apply for services managing the offsite parking lots for events such as LA Fleet Week, Tall Ships, Holiday Parade, the Lobster Festival, and other events. Professional parking attendants will facilitate more efficient service levels for those events, and if parking fees are to be collected at offsite parking lots, better accountability. The Community Relations Division has set aside funds in its budget for Port-sponsored events so that it can avail of the services of the parking operator at offsite parking lots. Cruise passengers availing of the valet services will be charged \$10 per vehicle for the first year, and \$12 per car for the succeeding years. Such valet fees will be in addition to the parking fees charged per Tariff.

Similar to the current Agreement, Harbor Department responsibility for the Parking Facilities (Transmittal 2) is limited to fire/life safety, electrical and plumbing, as well as structural repair and maintenance.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Agreement with PCI for the management, operation and maintenance of parking facilities. As an activity involving issuance of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Gross receipts (less exclusions) from the Parking Facility averaged \$3.68 million in the last three years, with PCI remitting 77.17 percent of the gross receipts, or approximately \$2.84 million to the Harbor Department. For the proposed Agreement, it is anticipated that the Harbor Department will receive approximately the same amount, in spite of the higher percentage being offered in the amount of 81 percent of gross receipts. Unlike the current Agreement, the proposed Agreement's gross receipts will be net, not only of the Parking Occupancy Tax, but also of the Possessory Interest Tax which is estimated to be roughly \$170,000 per year.

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It is not anticipated that the higher percentage rent proposals of 82 and 83 percent of gross receipts exceeding \$5 million and \$6 million, respectively, will come into play unless there is a significant increase in the current Tariff rates of \$2/hour with an \$18 per 24-hour period maximum per vehicle and/or a significant increase in the number of cruise passenger volume.

Contracting with PCI to manage offsite parking lots will generate revenue if parking fees were charged to visitors in the offsite parking lots during special events like LA Fleet Week, Tall Ships, Holiday Parade, and the Lobster Festival. On a per-day basis with a flat fee of \$5 per vehicle, it is estimated that the approximately 2,000 parking spaces on 22nd Street and Cabrillo Way Marina will generate approximately \$7,700 net of attendants' charges.

PCI will be responsible for upgrading the current parking management system, which is valued at \$388,600. Ownership of the improvements, once installed, vests in the Harbor Department and will be reflected as assets in its balance sheet.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Operating Agreement as to form and legality.

TRANSMITTALS:

- 1. Operating Agreement
- 2. Site Map

FIS Approval:  (Initials)
CA Approval:  (Initials)

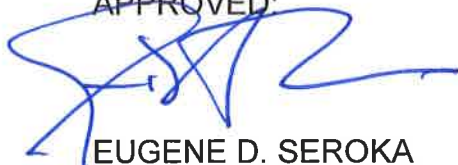

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APPROVED:



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