

Parking Garage Privatization & Public or Private Partnerships

<http://www.walkerparking.com/our-services/monetization/>

Today, many owners are simultaneously facing budgetary shortfalls and credit limitations and therefore are seeking alternative ways to finance essential infrastructure projects such as parking garages. The alternative financing sought is often coined as a **Public/Private Partnership** which is also known as a **P3, PPP, or Privatization**. Through this alternative form of financing, a contractual agreement between a public agency (federal, state or local) and a private sector entity is developed, specifying the ownership and operational risks and responsibilities of the public and private sector entities. **Monetization** is a form of a P3 and includes the process of converting or establishing something, such as a parking asset, into legal tender. The monetization of parking assets is gaining momentum as airports, cities, and universities struggle to close budgetary shortfalls.

Current and prospective owners and operators of a parking garage want to understand their revenue upside and potential liabilities and they need someone to quantify these so that they can properly budget for operations and negotiate monetization transactions. If you are pursuing such a transaction as an owner, financial advisor, operator, or investor, and need technical support, Walker Parking Consultants Can Help. We specialize in parking infrastructure monetization transactions.

Through our design of 5,000+ parking garages and restoration of 7,500+ parking garages, our engineers understand how to quantify the current condition of a facility by identifying necessary repairs and estimating repair costs. Moreover, we perform life cycle cost analyses to educate current and prospective owners on what to expect in the way of future ongoing maintenance and repair costs. We also understand parking operations. Our team of parking consultants has decades of experience in the first hand operations of parking garages. This means that we can often identify the upside potential and downside of parking garages or parking systems. We understand the rates that the market will bear and the rates that will maximize operating revenues, strategies for collecting additional revenues, and more efficient ways of operating parking garages. We understand because our staff members have operated attendant assist, self, and valet parking for most any type of land use. Following are the services that we have provided in the capacity of a technical advisor:

- Condition Assessment
- Market & Financial Analysis
- Parking Garage Operation Manual
- Parking Garage Maintenance Manual
- Parking Garage Drawings
- Slab Testing & Investigations
- Environmental Assessment
- Property Inventory
- Energy Survey
- Utilities Assessment
- Remaining Service Life Calculations
- Replacement Cost Analysis
- Roadway Testing
- Facilitated Bidder Tours of Assets
- Participation in Bidder Meetings
- Request for Qualifications
- Request for Proposals
- Procurement Assistance

Walker has 15 offices coast to coast to serve you with an entire array of experience in all aspects of the parking industry. We employ financial analysts, parking equipment and operations specialists, planners, architects, and civil, electrical, mechanical, restoration, and structural engineers, many of whom have P3 experience. We have been retained for thousands of engagements involving parking consulting, parking garage design, and parking garage and building façade restoration engineering. If you need an independent third party to provide technical support and guidance, we would be pleased to hear from you.

Financial Advisor for Parking and Other Opportunities

UF Purchasing ITN14LD-104

Questions concerning this ITN should be directed to Lisa Deal (lsd@ufl.edu)

Proposal Opening: August 20, 2013 at 2:00 PM

971 Elmore Drive, 101 Elmore Hall, Gainesville, FL

<http://www.purchasing.ufl.edu/vendors/archive14.asp>

Morgan Stanley Selected

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Walker Wins University of Florida Parking Study Project

<http://www.walkerparking.com/walker-wins-university-florida-parking-study-project/>

6 June 2014

The University of Florida has hired Walker to perform an operational and financial analysis of its parking auxiliary, in support of a potential P3. Walker has worked for UF on numerous occasions in the past. We will be working with the University's finance office and its financial advisor, Morgan Stanley. If the university decides to move forward with a monetization, Morgan Stanley will then advise on the solicitation process, including collecting bids and letters of credit, and conducting due diligence.

The university has a total of 24,003 parking spaces, the majority of which are in surface lots. Parking operations generated revenue of USD 11.4M in 2012-2013.

Project kick off is scheduled for late August. Jon Efroymson and John Dorsett will lead this effort.

ITN14LD-104 Financial Advisor for Parking and other opportunities
 UF Transportation and Parking Services
 Campus and Parking Data
 FY 2012-2013

Campus Population

Students	49,913
Employees	<u>27,870</u>
Total	77,783
Gainesville	125,326
Alachua County	249,365
5-Year Student CAGR (1)	-0.85%

Parking Inventory

Garage spaces	10,045
Facilities	13
Surface lot spaces	13,958
Facilities	220
Total spaces	24,003
Facilities	233
Average garage age	20
Oldest garage	39

Permit sales (FY 11-12)

Students	18,317
Non-students (employees, commercial)	<u>20,085</u>
Total	38,402
Permit-to-space ratio	1.6

Finances

Revenues	11,499,776
Operating expenses	5,916,554
EBITDA	5,583,222
Capital improvement expenditures	963,712
5-Yr average capital improvements	1,249,077
Average annual debt service	2,225,823
Max annual debt service (FY 14)	3,559,293
Principal outstanding as of 6-30-12	24,797,055

Annual parking rates (Fall 2013)

Student	150
Faculty/Staff - high	1,140
Student 5-Yr average increase	6.4%
Faculty/Staff 5-Yr average increase	6.4%

(1) Compound Annual Growth Rate; based on 2007-2012 total enrollment.

the lantern

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The 50-year agreement: OSU's \$483M parking deal stands alone among other schools after year 1

December 19, 2013

<http://thelantern.com/2013/12/50-year-agreement-osu-483m-parking-deal-stands-alone-among-schools-year-1/>

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A year after Ohio State's \$483 million deal with a private investment company transferred control of parking assets to outside hands, no other large public entity has followed suit.

While others, such as Indiana University and the city of Cincinnati, have considered taking the plunge, OSU and Chicago stand alone in having signed the lease. For Chicago, leasing parking assets has largely been considered a disaster. One year into the 50-year agreement at OSU, meanwhile, it's too soon for many to tell how the situation will play out.

CampusParc was created to manage OSU's parking services, which were leased to Australian investment firm QIC Global Infrastructure for 50 years. The agreement outlines who is responsible for improvements and who regulates the number of parking spaces on campus. The contract also lists some of OSU's parking policies – and who is exempt from following those rules.

It's unlikely parking is a main focus for those who frequent OSU daily, but in this agreement that shapes how the university operates, everyone is a stakeholder.

CampusParc has no control over the number of parking spaces available on campus, what kind of spaces are available for each permit grade or parking policies – that's university policy. CampusParc simply handles infrastructure, according to interviews with OSU and CampusParc representatives.

Interim president Joseph Alutto said in a Sept. 23 interview with The Lantern construction on parking facilities has led some to blame CampusParc for inconveniences administered by OSU.

"We've heard people complaining that it's more difficult to get parking. And of course they blame the new vendor, but the vendor had nothing to do with it," he said. "These were decisions we (the university) made. Parking that needed to be taken out of commission to allow us to do, for example, mass construction equipment and will be returned to the university in terms of availability within the next year."

The distinction between the two entities, though, has led to some frustration from students and faculty about the role of CampusParc.

"The biggest dilemma we face now I think is getting people to understand the services we provide and the policies we have to administer are two separate things," said Sarah Blouch, president of CampusParc.

Blouch led OSU's Parking & Transportation, until that ceased to exist, prior to CampusParc taking over. Blouch called the transition "seamless," but said she had her doubts about the concession when it was first discussed more than two years ago. As the first public university to make a parking concession agreement, there weren't any schools to serve as a good example for how to move forward.

"When the whole thing came up, the first thing you do is Google 'privatization of parking' and what pops up? Chicago. And we were like, 'Oh my god, what's happening here?'" Blouch said.

In 2008, the city of Chicago privatized its parking assets in a 75-year, more than \$1 billion deal with Chicago Parking Meters, LLC, a controversial move that has made Chicago the most expensive place for metered parking in the country in 2013.

The deal has been described by current Chicago Mayor Rahm Emanuel as a "straitjacket on the city."

What 50 years at OSU looks like

OSU's 50-year parking lease with CampusParc isn't set to expire until 2062. Here are some of the changes the university has undergone since 1962:

- There have been **7** university presidents since 1962
- Woody Hayes was OSU football coach in 1962
- E. Gordon Gee was **18** years old
- In April 1962 it was announced in-state tuition would be increased by \$10 to **\$110** per quarter.
- That would be equivalent to about **\$836** in 2012.

CampusParc Get Parking

The difference between Chicago and OSU, Blouch said, is the investor. With a 50-year agreement, CampusParc is in it for the long haul and has to work to improve and maintain parking assets.

"They want to make sure we take care of the investments, have counterparty relationships with the university that are good, making sure the assets are safe and that we really watch risk are the big key things beyond customer satisfaction that we focus on," Blouch said.

These parking assets include 16 garages, 196 parking lots and OSU's roughly 37,000 parking spaces.

OSU estimates that when the 50 years are up, the initial \$483 million will result in \$3.1 billion in investment earnings, according to information released by the university, and has already earned more than \$50 million in the endowment.

The university release also stated "the university is in the final stages of engaging a consultant team to develop a comprehensive transportation and parking plan for campus" that would have a specific goal of improving the "experience" on South Campus and near the Wexner Medical Center.

In its first year of operation, CampusParc has invested about \$2.5 million in OSU's parking infrastructure. Combining technology and infrastructure, CampusParc has spent a total of about \$10 million in its first year.

In the first five years of the agreement, CampusParc is operating with a budget of \$25 million, Blouch said.

The benefits for Ohio State

In return for the 50-year lease on its parking assets, OSU received an upfront payment of \$483 million. This money was put into OSU's endowment fund to be used for student scholarships, increased staff grants, adding tenure-track faculty and to support the Campus Area Bus Service.

Member of the Faculty Council and OSU accounting professor Richard Dietrich said the investment was a smart business move.

"The university can plan forward on its mission. We've given up stuff we're not particularly good at to focus on things we are good at," he said.

Some members of OSU's faculty were opposed to the deal in the past. According to an April 2012 survey of tenure-track faculty, 83.6 percent of 1,252 faculty surveyed said they did not support the proposed deal.

The Faculty Council raised questions about the decision to move forward with the parking agreement in 2011, and Dietrich got involved to assist with understanding the financial side.

"There is some risk that the university faces ... in any financial situation there is risk," he said. "Our core strength as a university is not running parking facilities. So we should focus on what we're really good at and hire others to do what they're really good at.

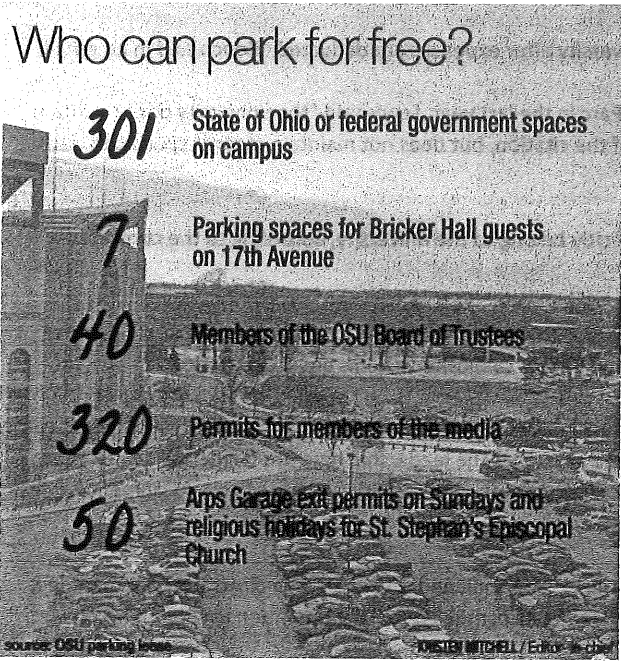
"It's a trade off that the university made and the question is financially how does it look. There are concerns that parking rates are going to go up by 5.5 percent over the next few years, and that is expensive. But the university has been raising parking rates for the last decade by the same amount and maybe more ... parking is like anything else, if you charge more for it they will find an alternative ... people will drive to campus less often."

If public transportation in Columbus improved and became more widely used in the next 50 years, CampusParc would face the financial consequences of that change, Dietrich said.

The concession agreement signed between QIC and OSU details the authority OSU resigned to CampusParc and what was retained.

According to the contract, CampusParc is responsible for any costs associate with electronic upgrades, and is responsible for the cost of removing any old equipment or attachments from the parking assets. If damage is done to the assets, CampusParc is responsible for repair.

Meanwhile, the university is permitted to permanently remove up to 2,200 parking spaces from campus without compensation to CampusParc.



QIC also agreed to maintain a set amount of parking spaces reserved for individuals who receive "University VIP Parking" that are exempt from "certain parking rules and regulations." According to the agreement, the university will determine who these individuals are and it shall not exceed 45 people.

The Lantern was provided with this list Dec. 12 to fulfill a Nov. 21 public records request. The 42-name list as of Nov. 25 included members of the Board of Trustees, Vice President of Student Life Javaune Adams-Gaston, President Emeritus E. Gordon Gee, Interim President Joseph Alutto, Senior Vice President for Alumni Relations Archie Griffin, athletic director Gene Smith and Medical Center board chairman and CEO of the Limited Brands Les Wexner.

According to an email from OSU spokesman Gary Lewis, "the permit essentially functions the same as a standard 'A' permit, but also allows access to all parking garages at all times, regardless of whether it is a visitor or staff garage and, where possible, more flexibility is available for time restricted parking or load zones."

Board members are provided the permit free of charge, while members of the "Senior Management Council" pay for theirs personally.

Fire alarms in parking garages must be visually inspected once a week with a full inspection done once a month, according to the agreement. Inspections will be completed by the OSU Department of Public Safety at a cost of \$150 per parking garage per month, a rate that is subject to change with "reasonable increase."

With university policies still in place, OSU has given up its operation of the parking facilities and its revenue stream, but not its control. CampusParc can't stray from the agreement without university permission, right down to the type of light bulbs used – a special request was placed to use LED lighting in the North Cannon Garage.

Dietrich said when looking at the future of the university, the parking concession has little to do with parking.

"When we know we can go out and ... hire new faculty members ... those are things that will make a difference for Ohio State and our students. I think that's what the whole parking thing is about. It's not about where we park our cars, even though that's what it looks like," he said.

The benefits for CampusParc

While CampusParc is responsible for maintaining and upgrading university assets, it will get the cash flow that comes from them in return, including the profits from the sale of parking passes and hourly parking fees, Blouch said.

Before the agreement went into effect, there were concerns about CampusParc's right to increase the cost of parking passes every year. The 50-year agreement caps this rate increase on parking at 5.5 percent annually for the first 10 years. After 10 years, rates are set to be capped at 4 percent or a rolling five-year average of inflation, whichever is greater.

For the 2013-14 parking year, which follows similarly to the academic year, CampusParc has sold 40,375 permits so far.

CampusParc also hands down parking citations, which totaled more than \$673,000 between April and September. According to information given by Mark Evans, chair of the Parking Advisory Committee who spoke to the University Senate Dec. 5, the number of citations given out by CampusParc is at least equal to and possibly less than what was given out when parking was overseen by OSU's Transportation and Parking, which has changed names to Transportation & Traffic Management.

The net revenue from parking citations are passed on to the university after expenses are deducted, Blouch said in an email.

When asked for records enforcement notices issued by CampusParc in the last year, Lewis said "the university does maintain quarterly enforcement data on the number and average value of the citation, but does not maintain records specific to each citation issued."

Earnings from vending machines in parking areas, however, explicitly belong to the university, according to the contract.

Taking notice

OSU is the first public university to make a parking concession, and Blouch said other schools are taking notice.

"There have been a lot of questions, a lot of interest, and you know I didn't know anything about this whole thing when it came up and since I've been involved in it I understand a little better the pressures the leadership here are facing and I think those pressures are happening elsewhere," Blouch said. "You know, how do you get creative with funding as your local money dries up, how do you manage tuition dollars so you're not costing more and more."

While no other universities have made the decision to lease parking assets, Indiana University came close after discovering it could reasonably expect to receive \$275 million for a contract including its combined parking operations in Bloomington and Indianapolis.

On Oct. 17, the university published a press release acknowledging the IU Board of Trustees, after recommendations from the university president, decided to no longer pursue proposals.

"We conducted a thorough and inclusive analysis of both the financial and nonfinancial aspects of a long-term parking agreement and, in the end, concluded that the valuation of our parking assets simply wasn't compelling enough to justify losing control of our operations for 50 years," said IU Vice President and Chief Financial Officer MaryFrances McCourt in a released statement.

Dietrich said if OSU had been offered the deal Indiana was offered, OSU wouldn't have taken it either.

"Indiana University had considered this issue and decided not to lease their parking facilities ... their facilities look roughly comparable to ours. My understanding is the bid they got was only about half of ours ... we would have rejected that one, too," he said.

Business law expert and associate professor at OSU's Moritz College of Law Paul Rose said the OSU model isn't applicable to all other universities.

"It's not going to work for every school ... but I think a lot of them just look at it and say, 'It's not enough for us to lose control,'" he said. "For us, we'll see if it's that good of a deal for us, certainly a lot of money in the endowment fund but time will tell."

The city of Cincinnati considered privatizing its parking earlier this year, a proposal that has divided politicians and residents. Mayor-elect John Cranley and several elected City Council members recently sent a letter asking the Port Authority to stop the deal, which was approved by the City Council in March.

Colorado State University is also exploring a parking lease as an option, and is in preliminary discussions about the possibility.

The decision to sell or lease parking assets is typically a lengthy decision and some said it is one that cannot be taken lightly.

"Exclusivity deals are relatively common... the danger comes from entering into long-term deals," said Wendy Epstein, an assistant professor at DePaul University College of Law. "It's very hard for a university to know down the line whether the deal is going to go well or not."

OSU's 50-year contract is not set to expire until 2062.

This story is the fifth in a five-part series about Ohio State's contracts with Nike, Huntington, Coca-Cola and QIC Global Infrastructure. The series was made possible by the generosity of Ohio State and The Lantern alumna Patty Miller.

