



City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814
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Meeting Date: 2/14/2012

Report Type: Staff/Discussion

Title: Parking Request for Qualification (RFQ) - Most Qualified Bidders List

Report ID: 2012-00193

Location: District 4

Recommendation: Pass a motion selecting the most qualified bidders from the City's Parking Monetization RFQ process.

Contact: Fran Halbakken, Project Manager, (916) 808-7194, Office of the City Manager; Desmond Parrington, Infill Coordinator, (916) 808-5044, Community Development Department

Presenter: Fran Halbakken, Project Manager, (916) 808-7194, Office of the City Manager; Desmond Parrington, Infill Coordinator, (916) 808-5044, Community Development Department

Department: City Manager

Division: Executive Office

Dept ID: 02001011

Attachments:

- 1-Description/Analysis
 - 2-Attachment1
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City Attorney Review

Approved as to Form
Jeffrey C. Heeren
2/8/2012 7:32:45 PM

Approvals/Acknowledgements

Department Director or Designee: John Dangberg - 2/8/2012 7:19:11 PM

Description/Analysis

Issue: The City received responses to its Parking Monetization Request for Qualifications (RFQ) from 13 teams. City staff, in consultation with its outside advisory team, has reviewed and determined the most qualified bidders received. Staff is requesting Council approval of the most qualified bidders list (refer to Attachment 1), which recommends 10 of the 13 teams.

Nothing in this staff report commits the City to begin the request for proposals (RFP) process. A decision by Council whether to proceed to the RFP stage will be made once the following are in place: 1) a term sheet for the financing, design, and construction of the Entertainment Sports and Complex (ESC); 2) identification of revenues sufficient to backfill the City's General Fund; and 3) a budget for the consultant costs for the completion of the RFP process.

Due diligence: As part of the RFQ effort, City staff and its advisors, Siebert Brandford Shank and Walker Parking Consultants, conducted extensive research and due diligence into not only the teams that responded to the RFQ, but also into the parking monetization efforts that have been undertaken in other U.S. municipalities and universities. Staff has conducted several interviews with other jurisdictions including Indianapolis, Chicago, and The Ohio State University and also spoken with advisors and bidder teams that have been involved in those parking efforts in order to gain a thorough understanding of the issues, lessons learned, and successful strategies for this process.

Based on our research, there are several key factors that make a successful process and transaction:

- Find a team that will be a partner rather than just a lessee/operator;
- Maintain transparency throughout the process;
- Make sure stakeholders have a voice in the process;
- There is no one-size-fits all approach; tailor the process and agreement to meet the city's needs;
- Create incentives so that City and team share the same goals over the term of the agreement (e.g., revenue sharing);
- Select a team that has a long-term commitment to the parking assets;
- Ensure customers get added value whenever rates are adjusted; and
- Use proceeds to fund capital projects that provide a return on investment.

The Process: The RFQ process is the initial stage of a multi-stage process. The purpose of the RFQ is to determine which teams have the best financial and technical qualifications and experience. The next stage, if Council decides at a later date to proceed, is the Request for Proposals (RFP). The RFP process will involve three phases. The first phase would involve additional due diligence, including interviews with all of the most qualified teams. This phase of the process would be relatively short and inexpensive for both the potential bidder and the City.

The second phase would involve the development of a draft term sheet, which would be the basis for a future agreement. The draft term would be sent to all competing teams and the City would request a non-binding bid and suggested changes to the term sheet. This phase would be more intensive and expensive for both bidders and the City.

In the third and final phase, a small number of teams would be selected based on their bids and responses to the draft term sheet. The City would conduct additional intensive negotiations with the teams and then request a final binding and secured bid as well as final terms. Based on these final responses, the City would select a team for the transaction.

RFQ Response Evaluation: As noted above, the City received responses from 13 teams. All responses acknowledged, subject to further review and due diligence, the minimum value of the City's parking assets (\$185 million without the on-street meter revenue).

A City review panel comprised of representatives from the City Treasurer's Office, the Department of Transportation's Parking Division, and the Economic Development Department as well as our technical and financial advisors, Walker Parking Consultants and Siebert Brandford and Shank, reviewed the responses. The responses were evaluated based on the following criteria:

- Financial strength of the team;
- Sources of capital (liquidity of equity, debt);
- Ability to make an upfront payment;
- Strength and experience of parking operator;
- Similar municipal experience managing/operating similar assets;
- Likelihood of long-term stewardship of assets;
- Ability to implement new technology improvements; and
- Creative ideas that would provide value to the City and its customers

In order for a team to progress to the RFP stage, it needed to demonstrate strong financial resources and have a parking operator that has substantial experience managing both on and off-street parking assets. Teams that were strong in both areas were recommended for the most qualified bidders list. Those teams that had some weaknesses in one area, but were strong in the other were also included on the recommended list. Those teams that were considered weak in both areas were not recommended. As a result of the review by the panel, a total of 10 teams were recommended and 3 teams were dropped.

The following teams are recommended for the City's most qualified list. The lead partner is listed first followed by the other team members. This list is not a ranking of the teams.

- ACS-Xerox/Kohlberg Kravis Roberts & Co. LP/AMPCO Parking Systems

- Capital City Parking Group (Cintra/SP Plus Municipal Services/Streeline Inc.)
- Gates Group Capital Partners/SP Plus Municipal Services/Parkeon/T2 Systems
- Guggenheim Securities, LLC/CitiGroup/SP Plus Municipal Services
- InterPark Holdings LLC/Duncan Solutions
- LAZ Parking Realty Investors, LLC/ CIM Group Acquisitions
- Morgan Stanley Infrastructure, Inc./ Central Parking Systems
- Ontario (Canada) Teachers' Pension Plan Board/Imperial Parking (U.S.) LLC/Cadillac Fairview Corporation
- Sacramento Forward, LLC (Antarctica Capital/California Municipal Finance Authority/ CBRE Global Investors/ SP Plus Municipal Services/Stone & Youngberg)
- The Carlyle Group/ SP Plus Municipal Services

Approving this list will allow the City to continue to the RFP process with the most qualified teams if Council decides to proceed to the next phase of the process.

Policy Considerations: This action completes the RFQ process approved by City Council on December 13, 2011 and initiated on January 9, 2012.

Environmental Considerations: The action being requested in this report, approval of a most qualified bidders list, is not "a project" under the California Environmental Quality Act (CEQA) guidelines Section 15378(b)(5) and are therefore not subject to environmental review.

Sustainability: Not applicable to the actions of this report.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: If the City decides to proceed to the RFP stage, it is important that the City have the most qualified bidder pool possible in order to achieve the best transaction for the City.

Financial Considerations: For the RFQ process, there are no new costs associated with this action. If at later date the Council directs staff to proceed to the RFP stage then there will be additional costs associated with that stage in order to bring on the necessary consultant resources to assist staff with the negotiations, financial and technical advice, due diligence, and legal counsel, etc.

Emerging Small Business Development (ESBD): Not applicable at this stage of the process.



Attachment 1

The following is the list of the most qualified teams recommended for use during the parking asset monetization process.

- ACS-Xerox/Kohlberg Kravis Roberts & Co. LP/AMPCO Parking Systems
- Capital City Parking Group (Cintra/SP Plus Municipal Services/Streeline Inc.)
- Gates Group Capital Partners/SP Plus Municipal Services/Parkeon/T2 Systems
- Guggenheim Securities, LLC/CitiGroup/SP Plus Municipal Services
- InterPark Holdings LLC/Duncan Solutions
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- Morgan Stanley Infrastructure, Inc./ Central Parking Systems
- Ontario (Canada) Teachers' Pension Plan Board/Imperial Parking (U.S.) LLC/Cadillac Fairview Corporation
- Sacramento Forward, LLC (Antarctica Capital/California Municipal Finance Authority/ CBRE Global Investors/ SP Plus Municipal Services/Stone & Youngberg)
- The Carlyle Group/ SP Plus Municipal Services [Concession]