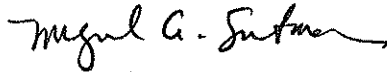


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: August 17, 2010

To: The Honorable Members of the Los Angeles City Council

From: Miguel A. Santana
City Administrative Officer



Gerry F. Miller
Chief Legislative Analyst



Subject: **Questions & Answers: The City's Request for Proposals and Draft Concession and Lease Agreement for Los Angeles' Public Parking Garage System**

On Wednesday, August 11, 2010, the City Council continued consideration relative to issuing a Request for Proposals and Concession Agreement for a proposed public-private partnership with respect to the City's parking structures (C.F. 10-0139-S1). Following are a series of questions posed by Council and the answers are based on the current Request For Proposal and draft Concession Agreement.

1. Q: Will the City be selling the garages?

A: No, the City will be leasing the garages for a 50 year term.

2. Q: Will the City be giving up development rights?

A: No, while the garages must be maintained for public parking, the City is retaining air rights and mineral rights. Moreover, if the City decides in the future that it is in the public interest to develop any of these garages for a purpose other than parking, it may do so upon compensating the concessionaire.

3. Q: Will the public be able to use the garages?

A: Yes, at least 50% of the total number of parking spaces, and at least 40% of the spaces in any individual garage, must be used for transient parkers. For Pershing Square, to insure that there is adequate parking in the evenings for the theaters and other entertainment venues that may be developed over the next 50 years, the transient space requirement is higher; the operator must accommodate up to 1,200 transient parkers between the hours of 5:00 pm and 2:30 am.

4. Q: Is the City giving up naming rights and other business opportunities?

A: No. The Concessionaire can engage in new business activities with the Council's approval. Revenue derived from these activities will be shared with the City.

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- 5. Q: Will the City get any revenues beyond the upfront lease payment during the 50 year term?**
A: Yes, if the gross parking revenue exceeds a set amount in any year, the City will share in 50% of the excess revenues. Additionally, the City must approve and will share in revenues from any new non-parking related uses that the City permits at the garages.
- 6. Q: Who will control the parking rates at the garages?**
A: The City will control the rates. The draft Concession Agreement sets forth the maximum rates that can be charged in the first 5 years. After that, the rates can be increased by an amount tied to an inflationary index. To increase the rates beyond that amount, the Concessionaire will need Council approval.
- 7. Q: How was the Maximum Rate schedule developed?**
A: The Maximum Rate schedule listed in the draft Concession Agreement is based on the analysis the City undertook with its outside parking expert, Desman Associates. The rate schedule is the same as shared with Council in previous reports and the Maximum Rates are equal to the Desman Parking Study rates plus 20% for each of the first five years of the concession term. While the Concession Agreement allows the concessionaire to charge up to the Maximum Rate, the market will be the controlling factor in actual parking rates charged since the concessionaire will not raise rates to a point that detracts from parking traffic as that would be to their competitive disadvantage.
- 8. Q: Why are the current rates in the Concession Agreement different from the actual current rates?**
A: The current parking rates were included in the draft Concession Agreement document for illustrative purposes only and were inadvertently adjusted upwards by 20%. Schedule 6 has now been corrected to show the actual current rates (Attached).
- 9. Q: Will the City be allowed to build other garages in the future?**
A: Yes, the City will be allowed to build garages that are more than a 1/8 of a mile from the concession garages.
- 10. Q: Will the 1/8 mile limitation prohibit garages currently under construction or discussion?**
A: No, the draft Concession Agreement specifically lists those garages as being permissible; including, among others, a garage for the Bringing Back Broadway initiative, a garage for the Broad Museum and a garage for a mixed use development on Wilcox in Hollywood.
- 11. Q: Would the City receive more value if it leased the garages separately rather than as a package?**
A: No, Infrastructure P3 investors have consistently shown the ability to pay the highest price for long-term concessions for leasing and managing public assets. Those investors only fund large transactions over a certain threshold. Leasing each garage separately will eliminate those bidders and result in lower value to the City. It is

important to note that the bidding pool, qualified to respond to the City's RFP, includes many of the more prominent P3 investors in the world. Lastly, it is likely that some of the garages would not garner sufficient investor interest on a stand-alone basis given their size, operating history and location. These properties are more valuable as part of the package.

12. Q: Would the City be able to get more favorable financing on the individual garages?

A: Not for all the garages since there are outstanding bonds on some garages and these cannot be financed.

13. Q: Would the City be able to get adequate value for the concession if the Cinerama Dome Garage is not part of the concession package?

A: No, the removal of this Garage will reduce the value of the parking system below the threshold needed to attract P3 investors who have the financial resources to give the City the most value.

14. Q: Is it financially sound for the City to acquire the Cinerama Dome Garage?

A: Yes, in order for the City to present a financially attractive package it needs to have a critical mass of parking spaces in the concession package. Without these parking spaces, the package will not contain enough revenue opportunities to generate an adequate up-front lease payment. Also, since the City will own the Garage free of debt, the City will gain opportunities for future additional revenue which would not be possible if the bonds were still in place.

15. Q: Would the City be able to get more favorable terms if it enters into individual operating agreements?

A: No, the City would not be able to obtain an upfront lump-sum lease payment from an ordinary operating contract and, therefore, would not have the funds to pay off the bonds or replenish the Reserve Fund. Also, those garages with outstanding bonds have IRS imposed limitations on private management contracts which limit the City's ability to obtain long term management contracts until the debt is paid off.

16. Q: Other than the up-front lease payments, what is the value of a long-term concession to the City?

A: The City will not have to spend money for operation, maintenance, repairs and upgrades of the garages for the term of the Concession Agreement. It will also be covered for any injuries or damages which occur as a result of the operation and maintenance of the garages. In addition, the City will be able to pay off 100% of the outstanding bonds.

17. Q: Will the Department of Recreation and Parks or the Pershing Square Park be impacted negatively by the Concession Agreement?

A: No, the Board has authorized the lease of the Pershing Square Garage subject to various provisions to protect their use of the Garage and their programs at the Park. These provisions are included in Schedule 14 of the Concession Agreement.

Additionally, if the Board elects to accept annual payments for their share of the Concession Agreement lease payment, they will be guaranteed an amount equal to their current gross rent, adjusted for inflation, for 50 years regardless of whether there is a continuing demand for parking and they will be relieved of the operation, maintenance, repair, upgrades and potential liability expenses for the next 50 years.

18. Q: Does leasing the Pershing Square Garage violate the City Charter?

A: No, the City Charter permits the lease of the garages under the control of the Department for up to 50 years.

19. Q: How will the City be assured of proper maintenance and operation of the garages?

A: The Concession Agreement will contain maintenance and operation standards. The City will retain the right to enforce those standards. The standards can be changed only with prior Council approval. Failure to comply with the standards will result in penalties to the Concessionaire up to and including termination with the City retaining the upfront lease payment.

20. Q: Other than the Pershing Square Garage, are there additional restrictions or conditions on the rates, maintenance or operation of the garages?

A: Yes, both the Hollywood and Highland Garage and the Cinerama Dome Garage have existing recorded reciprocal easement agreements which will continue to be applicable. Additional special conditions for all the garages are contained in Schedule 14 of the Concession Agreement.

21. Q: Is the Council required to enter into a Concession Agreement if it authorizes an RFP?

A: No, under the City Charter, and as restated in the RFP, Council has the right to reject all bids.

22. Q: Will the Council have another chance to review the Concession Agreement and Maintenance and Operating Standards?

A: Yes, it is anticipated that the negotiation process will likely result in a request for some changes to the terms of the Concession Agreement and/or the Maintenance and Operating Standards. Those requests will be discussed with Council and a final Concession Agreement will be released after Council deliberation and instruction. The proposals will be based on the final Concession Agreement which will include the final Maintenance and Operating Standards.

23. Q: Can the City elect to accept lease payments over several years rather than as an up-front payment?

A: No, since there are outstanding bonds on some of the structures, the City needs to receive enough upfront payments to pay the bonds off in order to avoid private use issues on the tax-exempt bonds. Moreover, accepting lease payments over time also exposes the City to the risk of bankruptcy of the concessionaire and its ability to make payments over time. If the concessionaire does not meet all its obligations in the

Concession Agreement, then the City can take action against the Concessionaire. This remedy ensures that the Concessionaire will meet all its obligations to avoid the loss of its upfront payment. Also, when concessionaires fund P3 projects, the cost of the financing is done upfront to ensure the certainty of the transaction. The CAO's and CLA's recommendation continues to be that all the excess funds, after debt service and the budget, be placed in the City's Reserve Fund.

24. Q: Why does the Bid Proposal include a provision to allow for two years of free parking at Broxton and nowhere else?

A: Council instructed the P3 Parking Working Group to include this provision. We do not recommend it for any of the other parking structures as it does not currently exist and it would severely diminish the value of the garages. Our current valuation and estimates are all done with current rates.

Attachment

SCHEDULE 6

MAXIMUM PARKING RATES

	Current** Rates	Maximum Parking Rates Year 1	Maximum Parking Rates Year 2	Maximum Parking Rates Year 3	Maximum Parking Rates Year 4	Maximum Parking Rates Year 5
Pershing Square						
Monthly/Annual	\$190.00	\$228.00	\$228.00	\$228.00	\$228.00	\$264.00
Transient (Regular)	\$7.72	\$9.60	\$9.60	\$10.80	\$10.80	\$12.00
Transient (Early Bird)	\$9.35	\$12.00	\$12.00	\$14.40	\$14.40	\$18.00
After 5 PM	\$6.60	\$7.20	\$7.20	\$9.60	\$9.60	\$12.00
Cinerama Dome*						
Monthly	\$100.00	\$120.00	\$120.00	\$120.00	\$120.00	\$144.00
Transient	\$4.00	\$6.00	\$7.20	\$8.40	\$9.60	\$10.80
Event	\$10.00	\$12.00	\$14.40	\$16.80	\$19.20	\$24.00
Friar Street						
Monthly	\$49.50	\$72.00	\$72.00	\$84.00	\$84.00	\$96.00
Transient	\$1.10	\$1.80	\$1.80	\$2.40	\$2.40	\$2.40
Dickens Street						
Monthly	\$38.50	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
Transient	\$1.50	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80
Cherokee						
Monthly	\$100.00	\$120.00	\$120.00	\$144.00	\$144.00	\$144.00
Transient	\$4.00	\$7.20	\$7.20	\$9.60	\$9.60	\$12.00
Event	\$8.00	\$12.00	\$12.00	\$14.40	\$14.40	\$18.00
Broxton						
Monthly	\$125.00	\$150.00	\$168.00	\$168.00	\$168.00	\$192.00
Transient - Paying Customer	\$4.50	\$3.60	\$3.60	\$4.80	\$4.80	\$4.80
Transient - Parking for Free	\$0.00	\$0.00	\$0.00	\$3.60	\$3.60	\$4.80
Event	\$3.00	\$6.00	\$6.00	\$6.00	\$9.60	\$9.60
Ventura Boulevard						
Monthly	\$38.50	\$47.40	\$49.20	\$50.40	\$51.60	\$52.80
Transient	\$0.50	\$0.60	\$0.60	\$0.66	\$0.66	\$0.66
Robertson						
Monthly	\$125.00	\$150.00	\$150.00	\$168.00	\$168.00	\$168.00
Transient	\$2.00	\$2.40	\$2.40	\$3.60	\$3.60	\$4.80
Larchmont						
Monthly	\$60.00	\$72.00	\$72.00	\$72.00	\$72.00	\$84.00
Transient	\$1.50	\$1.80	\$1.80	\$1.80	\$1.80	\$2.10
Hollywood & Highland*						
Monthly	\$95.00	\$120.00	\$120.00	\$144.00	\$144.00	\$156.00
Transient	\$3.00	\$4.80	\$4.80	\$7.20	\$7.20	\$9.60
Event	\$10.00	\$18.00	\$18.00	\$24.00	\$24.00	\$30.00

* Rate adjustments are subject to the Reciprocal Easement Agreement

** Source: Desman Associates Financial Analysis and Condition Appraisal Report