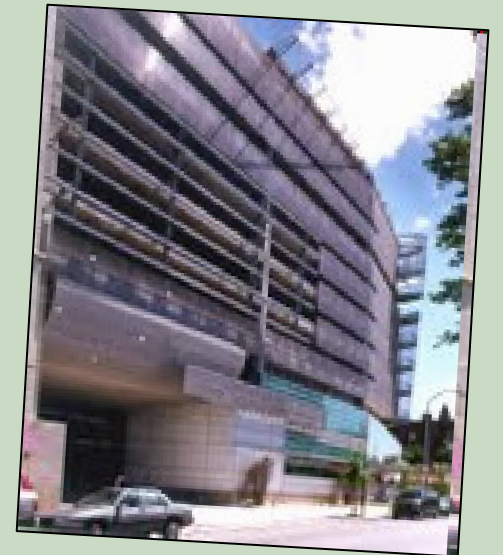




Not Just An Amenity:

Parking as a Tenant



**BOMA**2010  
INTERNATIONAL CONFERENCE &  
THE EVERY BUILDING SHOW®

# Barbara J. Chance, Ph.D.

*President and CEO*

*CHANCE Management Advisors, Inc.*



# Clyde Wilson

*President*

*The Parking Network*



This presentation is part of  
an outreach program of the  
International Parking Institute  
called  
"PARKING MATTERS"

**IPI** INTERNATIONAL  
PARKING  
INSTITUTE

[www.parking.org](http://www.parking.org)

PARKING  
MATTERS<sup>SM</sup>

# What Do You Think of Parking?

- Competitive amenity
- Required by zoning or development codes
- Necessary evil
- Expense you didn't want
- A pain to manage
- Not worthy of very much consideration
- Not worth spending that much time on –  
hire an Operator

# The Goals of This Presentation

- To gain an understanding of what is at stake when parking is viewed as just an amenity or commodity
- To highlight the value of the parking revenue stream
- To illustrate how you move from viewing parking management as a commodity to viewing parking as a cash flow generating tenant.

# The Goals of This Presentation

**To discuss  
how to manage an  
often forgotten asset  
to enhance the  
revenue stream**

# What Kind of Parking?

- Garages under buildings
- Garages adjacent to buildings
- Off-street parking lots
- Privately owned
- Monthly, transient, or mixed customers



# Deciding How to Manage Parking

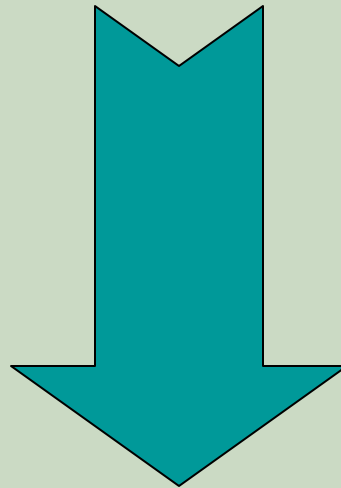
- Give it to the Building Management group
- Give it to some employee to run
- Hire an Operator
  - ◆ Ask someone else who they use
  - ◆ Use an Operator you already have under contract elsewhere
  - ◆ Send information to several Operators and ask for bids
  - ◆ Least common: run a formal process to obtain proposals for services

# Typical Outcome

- Owners/Managers hire the least expensive Operator they can get
- The contract is for services from a vendor (the Operator) for the lowest price
- The agreement is often minimal, ill defined, without well described responsibilities, without penalties for poor performance

# History: How did we get here?

Lease as a Tenant



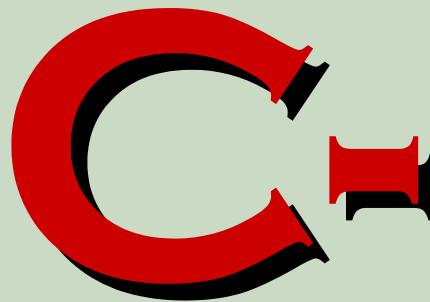
Management Account as a Vendor  
(the Operator) and Commodity

# History: How did we get here?

- Advantages/Disadvantages of a Lease
- Advantages/Disadvantages of a Management Agreement
- Changes in the rules for garages built with tax-exempt funding – started a trend
- How did we get to Parking as a Commodity?

# Results of the Lowest Fee

- The best performance is a C-
  - ◆ How do we get Operators to an A+?
  - ◆ Or is that what is important to the owners?

A large, stylized logo consisting of a red 'C' and a red 'I' with black outlines. The 'C' is on the left and the 'I' is on the right, both rendered in a bold, sans-serif font.

# Parking as a Tenant

- Even in a Management relationship you can view and benefit from Parking as a Tenant when you consider the level of its contribution and the revenue that is at risk



# Typical Basic Numbers

- Gross SF of a well-designed free-standing parking garage is approximately 290 GSF per parking space.
- Under a building, Gross SF is closer to 360 GSF per parking space.
- NLSF is a relative constant of 162 SF per parking space.



# Typical Basic Numbers

- Office Rent is roughly \$27.00 per foot.
- In a parking garage with a \$200.00 per month monthly rate and typical hourly, daily, Early Bird, and After Hours rates, the average income is closer to \$260.00 per space.
- Standard oversell in parking is 15%, more common to see 20% to 40%.
- \$260 per parking space = \$10.75 per square foot or 40% of the office rent per SF

# Typical Basic Numbers

<b>Total Spaces</b>		<b>1,625</b>	<b>450,000 SF 72%</b>			
<b>Peak Occupancy</b>		<b>1,280</b>	<b>78%</b>			
Monthly	Total Sold	Peak Demand	Demand	Oversell	Monthly Revenue	Revenue Per Peak Demand Space
\$170.00	1,225	715	56%	176%	\$208,250	\$291.25

Ticket	Revenue	True Transient Revenue	True Transient Tickets	Per day	Avg. value	Average Stay
33,505	\$385,308	284,952	30,153	1,419	\$9.45	2h 15 min

Cars At Peak	Turns Per Space	Monthly Transient Space Value	Annual Value Per Sq. Foot Space
330	4.3	\$863	\$35.73

# Typical Basic Numbers

Total Spaces		785	750,000 sf 83%			
Peak Occupancy		635	81%			
Monthly	Total Sold	Peak Demand	Demand	Oversell	Monthly Revenue	Revenue Per Peak Demand Space
\$ 333.00	805	532	66.00%	151%	\$268,065	\$ 503.88

Ticket	Revenue	True Transient Revenue	True Transient Tickets	Per day	Avg. value	Average Stay
5,804	\$100,470	\$58,974	3,479	174	\$17	1:55

Cars At Peak	Turns Per Space	Monthly Transient Space Value	Annual Value Per Sq. Foot Space
48	3.6	\$1,229	290 SF Space \$50.83

# Typical Building & Parking Cash Flow

## Typical Building & Parking Cash Flow

	Building Cash Flow		
			Comments
Typical Class "A" Office Floor		26,000	Single floor Class "A" office building
Net Rent Rate PSF		\$26.00	
Common Area Charges PSF		\$10.00	
Total Gross Rent PSF		\$36.00	
Gross Rents \$		\$936,000	
Less Operating Expenses		(260,000)	\$10.00 PSF
Less Amortization of Tenant Cost		(182,000)	\$35.00 PSF TI Allowance and Commissions - 5 year lease
Less Debt Service		(406,779)	\$200 PSF Cost, 25 year amortization, 6% APR
Net Cashflow from Tenant Rents		\$87,221	
Net Cashflow PSF From Tenant Rents		\$3.35	

# Parking Can Be 60% - 67% of Cash Flow per SF and 37% of Building Cash Flow

	Parking Cash Flow		
Average Number of Parkers		26	One per 1,000 square feet
Garage - Average space per car		290	Includes all circulation
Gross Parking Square Feet		7,540	Spaces times SQ FT per space with circulation
Average Contract Rate per Space		\$250.00	Average of reserved and non-reserved rates
Gross Parking Receipts per Year		\$78,000	Spaces times average rate
Transient Parking Revenues	\$ 15,000.00		20% oversell of monthly and transient vehicles
Less Operating Expenses	\$ 12,290.20		\$1.63 PSF
Less Debt Service	\$ (30,508.42)		\$15,000 per space to build, 25 year amortization, 6% APR
Net Cashflow from Parking		\$50,202	
<b>Average Parking Cash Flow PSF</b>		<b>\$6.66</b>	<b>\$5.36 on 360 SF per Space</b>
<b>Parking Cash Flow as % of Leased SF</b>		<b>67%</b>	<b>60% on 360 SF per Space</b>
<b>Parking Cash Flow as % of Total Cash Flow</b>		<b>37%</b>	

# The Problems in Getting There

- Gross Revenue of a typical 750 space garage is approximately \$2.4 million.
- At a minimum, 10% to 15% of that amount (\$240,000.00 to \$360,000.00) is constantly **“At Risk”**
- Your parking Operator and the young manager and bookkeeper are in charge of \$2.4 million annually, possibly 37% of the total building cash flow, and their decisions and ability have a direct impact on between \$240,000 to \$360,000 annually.
- The fees are low and no charge-backs of off-site personnel means **they are on their own**

# The "28% Solution"

- The 28% Solution came from a bet that revenue loss was greater than 10%
- Actual Revenue Loss the last 10 Audits = 28%
- Some but little of the 28% was **theft**
- Example: Loss #1
- Example: Loss #2
- 28% of that \$2.4 million is **\$672,000.00**
- The figure that is really at risk is **\$672,000.00**

# Operator Has No Stake!!!

- Operator has Low Management Fee
- Usual 30 day notice in the typical contracts
- **Absolutely no stake in the game**
- Payroll
  - ◆ Cashier: \$9.00 per hour and no benefits
  - ◆ Manager: \$17.00 per hour
  - ◆ Bookkeeper: \$15.00 per hour
- Management Fee: \$1,000.00 per month
- Other fees: \$175.00 per month

# Responsibilities

- Manager positions are high turnover so they have to constantly be trained in:
  - ◆ Cash control for \$1.6 million in monthly parking billing
  - ◆ Cash control for \$800,000 in cash, credit card, validation, transactions averaging \$13.00 per transaction (61,538 transactions annually)
  - ◆ They have to be taught all of the ways it is possible for this revenue to not be collected
  - ◆ They have to be able to supervise a low level bookkeeper that is either on-site or a shared bookkeeper in the parking city office.

# Manager Responsibilities

- They are supervisors of 4 to 10 low paid hourly employees
- They have to be trained in:
  - ◆ Customer Service
  - ◆ Marketing a parking facility
  - ◆ Maintenance and cleaning of the various surfaces found in a parking garage
  - ◆ Revenue control equipment
  - ◆ Etc., etc., etc.

# Responsibilities

## Supervising a Parking Bookkeeper

- Accurately billing \$1.6 million in monthly parking
- Trained in following lease abstracts and billing monthly to the Lease Requirements
- Bank Reconciliation of \$1.6 million in monthly parking
- Bank Reconciliation of \$800,000 of daily bank deposits and credit card transactions (61,538 annual transactions).
- Performing Ticket Audits.
- Keeping up with daily parking credential changes.

# Responsibilities

- Managing expenses
- Producing and living by an annual budget
- Managing traffic flow
- Managing safety
- Marketing the facility
- Customer Service
- **All of these skills required in a contract that provides for no method of paying for the training**



# Responsibilities

- How are you going to get all of those levels of expertise for \$17.00 to \$19.00 per hour and move from a C- performance to an A+ performance?
- All with an \$18 per hour manager?
  - ◆ \$15 per hour bookkeeper
  - ◆ And a \$1,000 per month management fee.
- Would you do it for that?
- Could you do it for that?
- Thus you get C- performance, or in most cases lower performance than that

As the Owner/Manager,  
you are getting what you pay for,  
and it often is not much!

## C- to an A+

- To get above a C-, parking has to have a stake in the game (actually a large stake) and be expected to be responsible for the 28% mentioned earlier
- You establish the standards for Customer Service in your building and demand in your contract that the parking tenant maintain that standard

## C- to an A+

- A C- parking company can be a low bidder and still win
- It takes an A+ parking company to be a high bidder and win
- Guaranteeing Rent equal to 70+% of the potential gross parking revenue means you have to have talented people managing the asset and use all technology available
- It also means the owners will see a larger share of the parking cash flow

## C- to an A+

- Being Low Bidder means you are not acting like you represent 37% of cash flow
- If you represent 37% of cash flow, you have to put a team on the floor that acts like 37% of the cash flow for a 1.2 million SF building
- To achieve this goal will take the BO&M's demanding an A team instead of at best a C-team
- Then the 28% solution becomes a more respectable 5% solution.

# Important Points

- Operators are putting C- teams on the floor
- But they are managing what is potentially 37% of the building's cash flow.
- “Revenue in Play” (at risk) is potentially 10% to 28% of gross
- To move to a **A** team requires the parking company to have a stake in the game.

# How Do You Do This?

- Run a selection process with a Request for Proposals that requires what you want
  - ◆ Who is going to be the Manager
  - ◆ Go to the garages (anonymously) now operated by this person
  - ◆ How long has the Manager been in the business
  - ◆ What kind of company supervision do you want of the team in your garage?

# How Do You Do This?

- Requirements should be measurable
  - ◆ Reporting
  - ◆ Marketing
  - ◆ Housekeeping and maintenance schedules
  - ◆ Turnover of staff
  - ◆ Customer Service processes
  - ◆ Operating procedures
  - ◆ Safety procedures

# How Do You Do This?

- Develop a good contract
  - ◆ Defined requirements
  - ◆ Penalties for lack of performance
  - ◆ Deadlines for activities and reporting
  - ◆ Regular discussions with owners and suggestions for improvements
  - ◆ Development of a detailed budget – not just the last one updated
  - ◆ Incentives for adding revenue and value

# How Do You Do This?

- Use technology to your advantage
  - ◆ The cheapest access control system does not protect your money
  - ◆ Get rid of cash payments
  - ◆ Get rid of “billing” and go to credit card payments
  - ◆ Develop a simple database of lease requirements and associated parking
  - ◆ Update the type of credentials for entry

# How Do You Do This?

- Require reports on what you want to know; don't take an Operator's canned report if it does not tell you what you want to know
- Require operating procedures
  - ◆ Daily activities; customer service; securing of revenue; procedures in case of emergency, robbery, need to evacuate the garage; routine maintenance; housekeeping; testing of equipment; inventories of equipment; etc., etc.

# Bad Contract Examples

- The revenue for each month's operation shall thereafter, on or before the twentieth (20th) day of the succeeding month, be disbursed by Operator as follows:
  1. first, payment of all Costs of Operation;
  2. then, Operator's monthly Minimum Management Fee;
  3. then, Operator's monthly Incentive Management Fee;
  4. then, the balance of the gross receipts to the Owner.

# Bad Contract Examples

- (1) maintain the highest standards in the operation of the Parking Facility so that the Business shall be operated in a fashion comparable to other first class parking facilities of similar type in the area;

# Bad Contract Examples

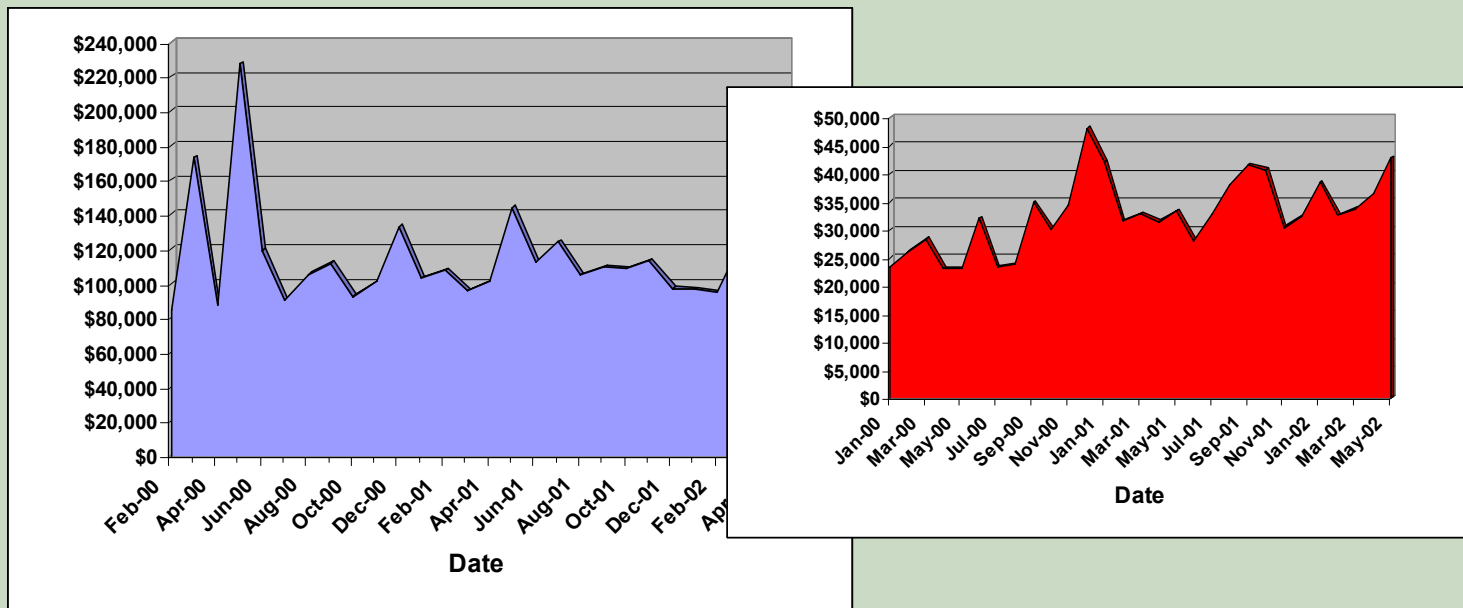
(2) employ sufficient numbers of properly trained personnel in order to render prompt, efficient and courteous service to the public at the Parking Facility and to keep the Parking Facility open for business on a Schedule to be established and agreed to by Owner;

# Bad Contract Examples

- (1) During the term of this Agreement, Operator shall keep the Parking Facility, including the floors of the Parking Facility, clean, neat and orderly and free from all grease, oil, ashes, dirt and other refuse or matter. It shall use reasonable diligence in the care and protection of the Parking Facility during the Term of this Agreement.

# Bad Contract Examples

6. (a) Incentive Fee shall be calculated on gross revenue above the threshold specified in 5. (c) above.



# Conclusions

- Parking can be a significant revenue contributor if it is well managed
- Passive ownership is the greatest inhibitor to revenue generation
- Dependence upon an Operator, with little oversight and inadequate agreements, will not yield the return you deserve
- Parking professionals can assist you

# Discussion

[barbara.chance@chancemanagement.com](mailto:barbara.chance@chancemanagement.com)

CHANCE Management Advisors, Inc.

[www.chancemanagement.com](http://www.chancemanagement.com)

[clyde@parkingnetwork.com](mailto:clyde@parkingnetwork.com)

The Parking Network

[www.parkingnetwork.com](http://www.parkingnetwork.com)