IMPLEMENTING PARKING PRIVATIZATION

P3 Part 3: How is it Working and Who is Doing it?
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How we got here

- 2011: Panel discussion on *P3 for a P3* – how you prepare for a public-private partnership with Prior Proper Planning
- 2012: **Splitting the Atom** – issues associated with concessioning the OSU parking program, and splitting parking from transportation
- 2013 – **Implementing Parking Privatization**
  How is the concession working at OSU
- What is happening in the industry?
What is going on in Columbus OH?
CONCESSIONNAIRE
The OSU Parking Concession

- A **concession** is
  - A long term lease or concession – but the assets remain your property
  - You transfer operating risk – management and the cost of maintaining
  - You also transfer the capex (capital expense) burden for the life of the concession
  - You may also gain access to additional capital for new facilities
Concession Implementation

- Explaining what a Concession is to campus customers
- Implementing specified policies with new operator
- Overcoming fear and doubt
- Defining new partnerships
- Addressing “firsts” and working through processes
The OSU Parking Concession

- University pressures to reduce costs and demonstrate return on assets (or to fund growth) lead to considerations such as:
  - Is Parking a core activity or merely a necessary service?
  - Can the capital invested in our parking assets be better invested elsewhere in our university and/or healthcare system?

- A parking concession is a means of monetizing a non-core asset that allows you to redeploy that capital into core services
Concerns

There is a common belief that a Concession will result in:

- Loss of control
- Lower levels of service
- Loss of pay and benefits for staff
- Loss of flexibility
- Opposing interests and goals
- Win/Lose relationship
Agreement Specifics

- A **Concession Agreement** provides for:
  - the regulation of parking rates
  - the prescription of operating standards
  - the maintenance of the assets and where necessary the construction of new assets
  - the flexibility to change the use of assets or substitution of other assets
  - the protection of both parties in the event of a change in laws

- The process of exploring a concession should include the development of a “parking strategy” that ideally optimizes the parking experience

- Done correctly it is a partnership approach
Building Relationships

- It is an economic relationship
  - The Concessionaire is a Partner, not a vendor to be directed
  - Success is tied to both partners succeeding
  - The specific set of economic conditions that were dictated by the public entity in the bid documents cannot unilaterally be changed
  ✓ However, discussions can always take place to work together toward common goals

- It is an evolving relationship
  - Defining how the Concessionaire fits into the planning process
  - Clarifying roles and responsibilities
  - Establishing credibility and trust
The First Six Months - Concessionaire

- Getting up to speed operationally
- Reporting to the University and Investors

Service Call breakdown by Category

- March 2013
- Equipment Failure: 428
- Vehicle Assist: 134
- Request for Service: 134
- Over Error: 230
- Complaint: 58

Equipment Uptime

- Operational
- Interim Goal = 90% uptime
- Long Term Goal = 95% uptime

Call Volume Statistics

- March 2013
- Total Call Volume
- Total Call Volume: 5052, 3497, 3743, 5416, 3229, 2674
- Hangup Calls: 1073, 430, 473, 856, 258, 80
The First Six Months - Concessionaire

- Implementing changes with minimal impact to customers
- Defining process, roles and responsibilities
- Establishing credibility
- Figuring out where we fit in the University fabric
- Addressing “firsts”
Examples

- Change of garage utilization from mixed use to patients only
- Closure of garage levels due to structural problem
- Request for staff parking by Kroger
- Request for special parking for physicians
- Placement of advertising on garage elevators
- Power outage on a Sunday
- Permit and rate changes for new academic year
- Summer construction logistics
UNIVERSITY
The First Six Months - University

- Picking up the pieces
- Rebuilding a team
- Integrating services among other University departments
- Revising integration plans
- Implementing changes with minimal impact to customers
- Defining process, roles and responsibilities
- Figuring out where the Concessionaire fits within University fabric
- Addressing “firsts”
Picking up the Pieces

Transportation

Parking Services

Event/Traffic Management & Planning
Rebuilding a team

Transportation

Event/Traffic Management & Planning
Integration of Services

- Reintegrating services back to TTM
  - Payroll Deduction
  - Event Management & Maintenance Staff
  - Bike Safety & Bike Management
  - Transit Planning
  - Roadway Infrastructure (Signage, Signals, Etc.)
  - Low Impact Parking Decisions in Partnership with CampusParc
    - Small Space Changes
    - Permit Exceptions
Change Management

- The Concession Required the Consolidation of Decision Making
  - Specific Issue may be part of larger discussion
  - Attempt to make system-wide decisions instead of ad hoc deals with certain users
  - We must account for financial implications

- Potential for Increased Scrutiny Requires Robust Education and Communications Plan.
Roles & Responsibilities

- OSU got out of the “Parking Business” and into the “Parking Management Business”
  - Construction Document Review and Approval
  - Alterations of the Concession Agreement itself that impact operations
  - Changes to the Permit System or Space Allocation
  - Conflict Resolution – Internally and Externally
P3 LESSONS LEARNED
What’s Happening in the Industry: Lessons Learned Since Chicago ’06

- Deeper examination of pros and cons -- advantages and disadvantages
  - Perspective on recent events

- Examine parties in the deal – not homogenous – different players for different reasons, different purposes
  - What can you expect?

- Current status / future outlook
P3 Pros and Cons

Some Pros / Advantages

- Big payday
- Option for organizations with management ineffectiveness
- Reduced cost of doing business (maybe private more efficient?)
- More nimble to make change (maybe)
- Can improve capital assets as specified in agreement (facility and/or equipment)
- Less inhibited by the political process
- Less interference
- Fed and other government cuts need to be made up somewhere – so P3 can fill the gap
- Quickly put in place a professional parking management team
- Address current labor challenges and costs – union, entitlements (pension and benefits)
- Maintenance performed as specified in agreement
- Improve bond rating if taking troubled assets are off the org balance sheet
Some Cons / Disadvantages

- Joint control of your assets – like a marriage, but with a pre-nup
- Increases costs to current constituents modestly
- May not reduce cost of doing business – profits, rate increases
- Tax exempt status – must be more careful
- Public perception of program tarnished – “it’s all about the money”, not the service
- May lack a clear vision of value of infrastructure – money left on the table, and used up (like Chicago)
  ➔ May be no better off 2 years down the road based on how funds are used
- P3 as competition to the in-house operation – money is needed now to improve operations and fulfill the organization’s mission
- Good managers can accomplish just as much as a PPP – they can raise money if allowed to raise rates and be truly autonomous
- Changes accountability, transparency and professionalism
- Agreement gets negotiated down during planning and then trade-offs may occur after the agreement is set
Let’s Make a Deal: Who’s In?

- Major investment houses
- Other investment banks (international)
- Infrastructure fund divisions
- Financial advisors
- Economic consultants
- Universities and cities
- Private operators
- Private service providers
- Watchdog / anti-P3 groups (ad-hoc and fixed)
- **Lawyers for all the above**
- Parking consultants
- Existing parking management team
- Traditional and alternative media / press
- Parking customers
P3: The Price is Right (or is it?)

- Are the deals foregone conclusions?
  - Yes
  - No

- What is communicated as the $ number?
  - By whom?
  - To whom?
  - How much?
  - How developed?

- Related issues
  - What is the investor’s strategic focus for its funds?
  - Who will be the operator?
  - Terms of the agreement
SO WHERE ARE WE NOW?
P3s: So Where Are We now?

Is the bloom off the rose?
Was OSU the perfect case?
Attributes of the OSU Case

- Well-run program with good parking assets
- Concession leader with long-term objectives and understanding of the academic environment (pension funds), no desire to “flip” the investment
- Good operator, quick learners on campus, open to feedback, hired OSU managers
- Experienced OSU staff who could manage the functions left – transportation, traffic, and everything else
- Concession Manager with insight and experience
“New York City is scrapping plans to privatize management of its street-parking system, the latest sign of growing wariness in U.S. cities of initiatives to address budget woes by selling off the rights to run meters and lots.

The decision by the nation's largest city comes amid a backlash in Chicago, whose 2008 deal to lease rights on 36,000 parking meters to private investors for 75 years for about $1.2 billion was the first parking privatization by a major U.S. city. Chicago residents and policy makers—including Mayor Rahm Emanuel, whose predecessor presided over the deal—have criticized it for selling the rights too cheaply and for including clauses that have ended up costing the city additional funds. Pittsburgh and Los Angeles also have put privatization plans on ice.”

January 2012
Cincinnati Parking Privatization Must Go to Vote

By Andrew Harris - Mar 28, 2013 5:17 PM A Cincinnati plan to privatize parking to close a municipal budget gap must be put to a public referendum, an Ohio state court judge ruled, blocking the initiative.

The proposal calls for the Port of Greater Cincinnati Development Authority to take charge of street spaces for 30 years and those off street for 50 years, with the ability to subcontract their management. In exchange, the authority would pay Cincinnati $92 million now and an estimated $3 million annually for 30 years.

Six Cincinnati residents sued, challenging a city council decision earlier this month to confer “emergency” status on the enabling ordinance, which the lawmakers said exempted it from being put to a public vote.
IUPUI students, faculty keep watch on parking issue

Facing opposition from students, faculty and staff, Indiana University slowed its decision on whether to privatize more than 45,000 parking spaces in Indianapolis and Bloomington.

But campus watchdogs are wary of the administration's summer agenda.

"When they want to do something they know the faculty and students don't like, they normally do it over the summer," said Thomas Marvin, associate professor of English at IUPUI.
P3: Whither goest thou?

Will this be a continuing trend in the parking industry as governments and institutions still search for funds?

- Several universities and cities are still considering P3
- Investors are still interested in parking assets
- Analyses done within parking and outside illustrate that other models might generate as much money
- The debate over why parking fees should fund expenses and endowments for other than parking functions is much more in the public mind
- It is possible that this funding method may have peaked already
Any questions?