

REPORT OF GENERAL MANAGER

NO. 10 - 200

DATE August 2, 2010

C.D. 9

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: PERSHING SQUARE PARKING GARAGE - INCLUSION IN THE CITY OF LOS ANGELES PROPOSED PARKING GARAGE SYSTEM AND CONCESSION LEASE AGREEMENT REQUEST FOR PROPOSAL

R. Adams	_____	F. Mok	_____
H. Fujita	_____	K. Regan	_____
S. Huntley	_____	M. Shull	_____
*V. Israel	_____		



 for General Manager

Approved _____ Disapproved _____ Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve the inclusion of the Pershing Square Parking Garage in the City of Los Angeles Proposed Parking Garage System and Concession Lease Agreement Request for Proposal (RFP) subject to Board approval of all final conditions of the concession lease as it relates to the operation of the Pershing Square Parking Garage and payment to the Department of Recreation and Parks for lease of the Garage;
2. Authorize the General Manager and/or his designee to negotiate the terms and conditions listed in Attachment A with the City Team (City Team) coordinating the processing of the proposed long term concession and lease (Lease) and report back to the Board for approval; and,
3. Direct the General Manager to present the results of the process of soliciting proposals for the proposed Lease for final approval by the Board prior to award of the Lease.

SUMMARY:

Historical Background

Pershing Square Park, located at 530 South Olive Street, is often identified as the center of the downtown Los Angeles business district. It is one of the oldest parks operated and owned by the Department of Recreation and Parks (RAP) having been built in 1866. The 4.44 acre facility

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consists of a surface-level park and a three-story, 1,590-space underground garage. RAP conducts programs and special events in the park which are partially funded by income generated by the parking garage. Some of these programs and events include, but are not limited to, the following: Downtown On Ice Outdoor Ice Skating Rink, Summer Concert Series, Art Squared Gallery, Friday Night Flicks and other recreational programming. . The Pershing Square Youth Program provides programs and special events for youth and families within a five-mile radius of the park, who may not have access to organized recreational programming. In 1994, through an effort funded by the local Downtown Center Business Improvement District (DCBID), a park renovation project was completed which included new landscape and hardscape with a 10-story purple bell tower and a concert stage.

In 1950, the underground parking garage was built by City Park Garage, Inc. which retained a fifty-year lease for the operation of the garage. In 2000, the garage reverted back to City operation, and RAP entered into a Memorandum of Understanding (MOU) with the Department of General Services (GSD) for the management and operation of the garage. This City self-operation was done to enhance park programming and maintenance, fund facility improvements, provide an increased annual contribution to RAP's General Fund (Operating Budget), and provide new recreational programming for youth and families within a five-mile radius of Pershing Square Park. This arrangement is currently in place.

Long-Term Concession and Lease for LA Public Parking Structure System

Due to the City's current fiscal crisis, City leaders, through a City Team, are coordinating Public Private Partnerships (P3). This includes consideration of entering into a long-term concession and lease agreement with a private operator to maximize the value of up to 12 City-owned parking garages/lots while improving the customer service levels and sustaining high safety and security standards at the subject parking garages/lots. The 12 garages/lots, collectively referred to as the Los Angeles (LA) Public Parking Structure System (Parking System), include 10 current lots and two (2) new structures to be constructed. The RAP Pershing Square Garage is one of the current lots proposed for inclusion in the parking System that would be changed to private operation.

Per a study completed by Desman Associates (Desman), a consultant retained by the City Team, the garages/lots are as follows:

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Existing Structures:

<u>Lot No.</u>	<u>Street Address</u>	<u>Community</u>	<u>Owner/Operator</u>	<u>No. of Spaces</u>
745	6801 Hollywood Blvd.	Hollywood	LADOT/NSP	3,006
Arc	Cinema Dome Garage	Hollywood	LACRA/PCI	1,717
Per Sq	Pershing Square	Downtown	LARAP/LAGSD	1,590
690	12225 Ventura Blvd.	Studio City	LADOT/LAGSD	397
670	1710 Cherokee Ave.	Hollywood	LADOT/PCI	386
680	1036 Broxton Ave.	Westwood	LADOT/LAGSD	366
703	123 S. Robertson Blvd.	Carthay	LADOT/LAGSD	334
601	14401 Friar St.	Van Nuys	LADOT/LAGSD	237
629	14591 Dickens St.	Sherman Oaks	LADOT/LAGSD	198
732	218 N. Larchmont Blvd.	Hancock Park	LADOT/LAGSD	167

New Structures:

<u>Lot No.</u>	<u>Street Address</u>	<u>Community</u>	<u>Owner/Operator</u>	<u>No. of Spaces</u>
N/A	101 N. Judge John Aiso St.	Downtown	LADOT/TBD	344
702	1633 N. Vine St.	Hollywood	LADOT/TBD	457

LACRA - Los Angeles Community Redevelopment Agency

LADOT - Los Angeles Department of Transportation

LAGSD - Los Angeles General Services Department

LARAP - Los Angeles Recreation and Parks Department

NSP - New South Parking

PCI - Parking Concepts Inc.

The City Team will prepare an RFP with a long-term agreement granting a future operator (concessionaire) the exclusive right to operate the Parking System and to collect parking, advertising, and other related parking concession revenue from the Parking System during the term of the agreement, anticipated to be up to 50 years. Pursuant to City Charter Section 596, the Board has authority to lease the Pershing Square Garage for a term not to exceed 50 years and shall prescribe the terms and conditions of the lease, and the proceeds of the lease shall be paid into the Recreation and Parks Fund. The Board's approval is a condition to the inclusion of the Pershing Square Garage in the Parking System RFP, and the Board would have to approve and execute any lease resulting therefrom that includes the Pershing Square Garage. The City and Desman anticipate this arrangement will maximize the garage's value while also improving customer service, safety, and security. (RAP would still operate the surface-level Pershing Square Park above the garage.)

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The agreement will also include standards related to required capital improvements along with the operation and maintenance of the Parking System which the operator will be required to satisfy. The Lease will contain a provision requiring Board approval of any proposed capital improvements, advertising, naming rights, rate increase above those specified in the Lease, and any amendments to the Lease affecting Pershing Square. Upon entering into the agreement, the City and the Community Redevelopment Agency of Los Angeles (CRA/LA) will use a portion of the prepaid rent from the agreement to reduce or extinguish all outstanding debt relating to the Parking System. The Pershing Square Garage has no associated debt. Per the City Charter, RAP will receive revenue derived from the lease into the Recreation and Parks Fund.

Inclusion of Pershing Square Garage

Desman Associates conducted a financial analysis and condition appraisal of the Parking System. Its report indicated that the area surrounding Pershing Square Garage is a bustling commercial and retail center that is densely packed with high- and mid-rise office buildings and hotels as well as mid- and low-rise retail buildings. Within one (1) block of the garage is the Los Angeles Jewelry District: the largest jewelry district in the United States made up of more than 3,000 wholesale jewelers. The market area consists of almost entirely of commercial and retail uses and is also surrounded by hotel and high-rise residential land use.

The Desman report concluded that of all the garages in the Parking System studied, Pershing Square Garage has the greatest potential for future growth. According to the report, because of the abundance of development slated for downtown Los Angeles, the location of the parking facility and the amount of excess capacity in the garage, the prospects for revenue growth from an increase in parking demand are very bright. The report indicates that as demand grows and the number of competing facilities shrinks, rate increases will provide another avenue for future revenue growth. Desman reported this growth will all depend on the actual amount of development that takes place in the market area and on how well the facility can be marketed to new and existing downtown employees and visitors to downtown Los Angeles.

Pershing Square Garage could be a valuable addition to the Parking System RFP and has the potential to provide a stable source of revenue to RAP. Per Board Report No. 10-060 this garage generated approximately \$3.7 million in Fiscal Year 2008-2009. Approximately \$1.4 million was paid to GSD for operational, maintenance, capital improvement and security expenses. The remaining \$2.3 million (and an additional \$1.2 million RAP Operating Budget subsidy) covered Pershing Square Park administration, security, maintenance, capital improvements, recreational, special event programming and mobile youth programming for the surrounding community.

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Parking System RFP Considerations and Recommendations

After proposals for the Parking System are received, the Board will have the option to accept a lump sum representing the amount received by the City from the concessionaire attributable to the inclusion of the Pershing Square Garage in the Lease, or instead to choose to accept annual payments from the City in an amount to be agreed upon. If the City were to fail in any year to make the annual payment to the Recreation and Parks Fund, the Board would have the right to terminate the Lease as applied to the Pershing Square Garage, and the City would be liable to the concessionaire in accordance with the terms of the Lease without recourse to the Recreation and Parks Fund.

Apart from the amount of the annual payment should the Board choose that option, there are several additional items for the City Team to consider in preparing its RFP with the inclusion of the Pershing Square Garage. These include the replacement of the emergency generator, RAP access to certain work and storage areas, subsidized parking spaces, utility payments, garage improvements and advertising, residential parking and the Council's Bringing Back Broadway concept. It is recommended that the General Manager be designated authority to negotiate with the City Team on these items (and other items if necessary), subject to the Board's final approval. (See Attachment A)

Conclusion:

It is recommended that the Board authorize inclusion of the Pershing Square Parking Garage in the City of Los Angeles Proposed Parking Garage System and Concession Lease Agreement RFP subject to final approval of the lease agreement as it relates to the operation of the Pershing Square Parking Garage and payment to the Department of Recreation and Parks for lease of the Garage.

FISCAL IMPACT STATEMENT:

Per the City Charter RAP would receive revenue into its Recreation and Parks Fund which could be used per the RAP Board's direction for the financial support of the Department.

This Report was prepared by Department of Recreation and Parks staff in consultation with the City Team managing the Parking System Request for Proposal.

ATTACHMENT A

PERSHING SQUARE PARKING GARAGE – INCLUSION IN THE CITY OF LOS ANGELES PROPOSED PARKING GARAGE SYSTEM AND CONCESSION LEASE AGREEMENT REQUEST FOR PROPOSAL (RFP)

RECREATION AND PARKS (RAP) TERMS AND CONDITIONS	STATUS/RECOMMENDATIONS
Emergency Power System - RAP is currently in the process of designing and installing a new emergency power system (i.e. generator) for the garage as required by the South Coast Air Quality Management District.	The project is in pre-design phase (2% complete). The design specifications for the bid proposal are complete. RAP recommends this project be included as a capital improvement in the RFP.
RAP currently occupies various work, storage and public areas in the garage which are used in Pershing Square Park operations and maintenance. RAP, contractors and patrons must continue to have access to these areas which include but not limited to: elevators, escalators, bathrooms, electrical panels, and mechanical controls.	RAP has provided facility maps which outline areas which will need to be available at the request of RAP. Also RAP will need four (4) parking spaces daily for RAP equipment which is permanently staged at this area for park maintenance needs.
RAP skilled craft staff will periodically report to Pershing Square to repair electrical, mechanical or other equipment in connection with the Pershing Square operations. Additionally, other staff will report on an as-needed basis to perform work and will need to have parking.	RAP estimates that it will need four (4) parking spaces daily for these functions.
RAP conducts numerous recreational and entertainment events at Pershing Square Park. In order for these events to be successful, there is a need for free parking for guests, performers, and vendors as well as discounted parking for attendees.	RAP estimates that 2,100 free daily parking passes and 2,700 discounted parking passes are needed annually.
The Department of General Services maintains the public restrooms located in the garage.	The garage concessionaire will maintain the restrooms.
Pershing Square has electrical and water service provided by the Department of Water and Power. Currently there are no separate meters for the park and garage areas.	A plan will have to be formulated to either divide utility costs or modify the meters to separate garage and park utility lines between RAP and the garage concessionaire.
RAP will have a restaurant concession located in a building directly above the garage. In order to meet City of Los Angeles' Ordinances, grease traps will need to be installed which could require drilling into the parking garage.	RAP estimates that two (2) garage parking spaces may need to be eliminated to accommodate grease traps.