

Contracts

Nothing Lasts Forever

Why and how owners should issue regular RFPs for parking operations services.

By Will Rhodin



REMEMBER THAT OLD CLICHÉ that nothing lasts forever? Well, that can definitely be true when it comes to a parking management relationship. As tempting as it may be to sign that one-page “same terms and conditions” renewal agreement with the parking operator when the operating term is coming to an end, that may not be the best option. Sure, the parking management company may seem to be doing a good job, but doesn’t it make sense to see if the market has changed since you hired your operator?

The approaching end of a management agreement or lease term presents an opportunity to make sure ownership is achieving its desired goals for the parking facility. There are many issues to be assessed, from financial results to service, facility performance, image, and safety, none of which should be given short shrift. How does ownership know if the operator is really doing the best job that can be done, especially if the operation has been on cruise control for a while?

The best way to get to the bottom of this important question is to issue a request for proposals (RFP), laying a framework for qualified operators to present their best case as to why their organization is best to meet or exceed ownership’s needs. You may find out that there’s someone out there who could do a better job. Or perhaps the process will inspire your current operator to up their game.

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Laying Out the RFP

An RFP process establishes an even playing field on which operators are given an opportunity to compete for the property owner's business. Ownership's priorities are detailed in the RFP, addressing key matters such as:

- **Agreement structure:** What type of arrangement works best for the owner and the individual parking facilities? The RFP could call for a straight management contract, a lease, a concession, or a hybrid approach combining two or more approaches.
- **Quality of service expectations:** Is the property a class A office building, requiring first-class services to be provided by all onsite providers? Are there established standards that must be met by the operator (minimal delays at the exits, shuttles arriving on a mandated schedule, measurable customer

satisfaction)? The RFP should clearly state these requirements in a way so the proposer can plan its response accordingly.

- **Operating plan:** What are the operator's plans for helping the owner meet its financial or service-related goals for the parking facilities? Perhaps a valet component can be added or the facility can be automated to increase vehicle throughput while reducing costs.
- **Innovation and technology:** The parking world has become extremely technology-centric. The RFP should provide an opportunity for prospects to demonstrate their experience and expertise in utilizing the latest parking technologies. It should also require them to offer recommendations for how technology can best be applied to the facility or facilities they are proposing to operate.
- **Management fee and operating costs:** The RFP response often includes a financial proposal component, specifying base and/or incentive management fees, revenue budgets, plus payroll and other operating cost budgets. Lease or concession proposals typically require the proposer to commit to a base rent and/or a payment based on a percentage of revenue, perhaps above a threshold.
- **Revenue generation ideas:** Parking facilities are often a source of measurable revenue for an owner. If that's the case, the RFP should require that proposer to submit well-thought-out plans for enhancing revenue. For example, perhaps the rates are not comparable to the market, or there is a full floor available in the garage with no prospect of filling such spaces with internal demand generators, requiring the operator to look to external sources to find revenue.
- **Marketing plans:** The parking operator is responsible for optimizing the parking facility or facilities. The RFP provides an opportunity for each prospective operator to lay out its marketing plan.



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- **Disadvantaged Business Entity (DBE) programs:** Many municipal parking opportunities, such as city-controlled parking systems or airports, establish DBE programs to create opportunities for small businesses. The RFP may specify DBE participation requirements.
- **Sustainability:** Sustainability is an essential element of parking. Prospective operators should be required to provide recommendations for making parking operations greener, such as by the installation of electric-vehicle charging stations.
- **Capital investment:** The RFP may require the proposer to provide funding (reimbursable or otherwise) for much-needed capital improvements to the parking facilities.
- **Base rent and percent rent:** The RFP should specify the owner's requirements for base and/or percentage rent payments, in the case of a lease or concession opportunity.

Expert Advice

Property owners sometimes prefer to hire a third-party parking consultant to coordinate the RFP process, including preparing the RFP draft, working with ownership to establish and communicate key milestones (RFP response due dates, onsite pre-proposal meetings, question and answer timelines, etc.), and quarterbacking the process from start to finish. A parking operator RFP package should include a draft management agreement or lease document, allowing the proposing operator to evaluate potential contract terms and prepare its company's response accordingly.


An RFP forms Excel template can be provided for the operator to complete, ensuring that all of the parking companies are proposing based on the same expense line items and key price categories, such as management fees, payroll, and liability insurance costs. Finally, an evaluation matrix is provided to let operators know what the key rating factors will be, such as price, qualifications, references, management plan, proposed onsite manager, and local or regional support. This gives the operator the opportunity to

structure a proposal that is consistent with the owner's expectations.

This process can provide property ownership an unvarnished list of parking operators that exhibit a level of quality, experience, and capability consistent with the owner's expectations. RFPs may then be sent directly to those recommended operators, weeding out the companies that may lack ownership's required qualities in the process. RFPs are often posted publicly in the case of many municipal or other government proposals, however, and thus that initial screening process must wait until responses are received and reviewed.

Ultimately, the RFP package is issued, and the clock starts ticking. Onsite operator walk-throughs occur, questions are answered, and electronic and/or hard copies of operator proposals arrive, just in the nick of time!

The next step is to dig into the responses and see how each proposal stacks up against the other. The consultant enters the operators' financial offers into a comparison spreadsheet, checks references, and prepares a summary document, detailing salient points of each proposal. A short list is then developed if multiple companies submit proposals, and operators who make the cut are brought in for in-person interviews.

With comparisons complete, operator interviews concluded, and proposals evaluated on an apples-to-apples basis, ownership can then move forward with a new operating agreement, confident in the results of a well-informed and well-executed RFP process. 



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