MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Authorizing a First Amendment to the Garage Management Agreement with Pacific Park Management Inc., a California corporation, to extend the term for 14 months to June 30, 2015, with one 12-month extension, for a base management fee of $12,000 a year plus reimbursement for reasonable garage operating expenses, to operate and manage the Successor Agency's public parking garage at the Fillmore Heritage Center at 1310 Fillmore Street, consistent with the Successor Agency's May 18, 2004 Disposition and Development Agreement for the site

EXECUTIVE SUMMARY

The Office of Community Investment and Infrastructure ("OCII" or the "Successor Agency") owns a 112-space public parking garage that primarily serves the commercial uses at the Fillmore Heritage Center, a mixed-use development at 1310 Fillmore Street (the "Garage"). The Garage was completed in June 2007 at a cost of about $5.7 million in grant funds. It was built under a Disposition and Development Agreement dated May 18, 2004 between the former San Francisco Redevelopment Agency and Fillmore Development Associates, LLC, a California limited liability company (the "Developer").

The current operator, Pacific Park Management Inc. ("Pacific Park"), was selected after a competitive public procurement process and has been managing the Garage under a management agreement since May 2011 (the "Management Agreement"). The three-year Management Agreement expires on April 30, 2014. Additional information about the procurement process, the Garage’s operating history, and Pacific Park’s qualifications can be found in Exhibit A.

Staff desires to extend the Management Agreement to allow time to implement the Successor Agency’s disposition plan for the Garage. The Successor Agency proposed selling the Garage under its Long-Range Property Management Plan ("PMP"), which was submitted to the State Department of Finance ("DOF") for approval in November 2013 pursuant to California State Assembly Bills 26 and 1484 (together, "Redevelopment Dissolution Law"). The Successor Agency cannot sell the Garage until DOF approves OCII’s PMP. DOF is still reviewing OCII’s PMP, and staff is hopeful that DOF will approve it later this year. After DOF’s approval of the PMP, staff expects it will take at least six months to either sell the Garage or transfer the Garage to the City and County of San Francisco (the "City") so that City staff can sell the Garage.
Given the impending sale, staff does not believe it is appropriate to conduct another competitive public procurement process for a new garage operator.

Therefore, staff desires to extend Pacific Park's Management Agreement 14 months to June 30, 2015, with one 12-month extension to June 30, 2016 at the sole discretion of the Successor Agency's Executive Director (the "First Amendment") (See Exhibit B). The extension will allow time for DOF to approve OCII's PMP and for staff to implement the disposition plan.

All other terms of the Management Agreement remain the same, including Pacific Park's base management fee of $1,000 a month (or $12,000 a year) and Pacific Park's incentive fee of 50% of the Garage's annual net operating income up to a maximum incentive fee of $10,000 a year. To date, Pacific Park has not received any incentive fees because the Garage has not generated any net operating income.

Staff recommends approval of the First Amendment to Pacific Park's Management Agreement.

DISCUSSION

As mentioned, Pacific Park was selected after a competitive public procurement process and has been managing the Garage under the Management Agreement since May 2011. Additional information about the procurement process, the Garage's operating history, and Pacific Park's qualifications can be found in the attached Commission Memorandum dated March 15, 2011 (attached as Exhibit A).

This Commission Memorandum focuses on Pacific Park's current qualifications, its efforts to hire locally, and its strategies for improving the Garage's performance. Each of these is discussed briefly below.

About Pacific Park Management

Pacific Park is an African-American-owned business headquartered in San Francisco. It was founded in 1995 by Behailu Mekbib and Sam Tadesse. With more than 40 years combined experience between them, both men have worked in every capacity of the parking business from valet attendant to facility and operation manager.

Pacific Park manages more than 50 locations (representing more than 50,000 parking spaces) and collects more than $50 million annually. Since the company was founded, Pacific Park has worked for 10 different public agencies throughout the San Francisco Bay Area, including the San Francisco Municipal Transportation Authority, the Port of San Francisco, San Francisco International Airport, the Port of Oakland, the City of Oakland, and Bay Area Rapid Transit.

The company oversees all the daily functions of managing a parking facility including supervision of staff, collection of monies, security, janitorial, maintenance and other services. They also provide numerous parking related services, such as marketing program design and
implementation, valet parking services, merchant validation programs, facility consultation services, and shuttle services.

**Workforce Requirements and Efforts to Hire Locally**

Under the Management Agreement, Pacific Park is required to comply with all applicable Successor Agency policies, including minimum compensation, health care accountability, small business enterprises, nondiscrimination in contracts and benefits, permanent workforce, construction workforce (for capital improvements), and prevailing wages.

When Pacific Park started managing the Garage in May 2011, the company made a good-faith effort to hire local residents for its valet operation. Pacific Park advertised for three parking valet positions for about three months (See Exhibit C) through the Western Addition One-Stop. At the time, Pacific Park did not receive any interest from local residents.

At the same time, in discussions with former redevelopment agency staff, it was clear that the Garage could not support the cost of a valet operation. Pacific Park, at the direction of former redevelopment agency staff, eliminated the valet operation and also implemented other measures to trim operating costs, including reducing staffing costs. Currently, there are only two part-time workers at the Garage:

1. One Customer Service Ambassador (18 hours per week). The Customer Service Ambassador is a female African-American who lives in the Western Addition. She was hired through a referral from a Western Addition community member. Her job is to provide customer service to parkers, conduct hourly patrols of the Garage, observe unusual behavior and safety hazards, check for and report any damage to parking equipment, and traffic control.

2. One Supervisor (20 hours per week). The Supervisor is a male African-American who lives in the Western Addition. The Supervisor has been working for Pacific Park for 14 years. His job is to supervise the Customer Service Ambassador, maintain the functionality of the Garage’s parking equipment, maintain an inventory of supplies, file accident claims and reports, monitor the Garage’s surveillance cameras, distribute marketing flyers, and coordinate activity with the two commercial tenants.

Pacific Park will continue its efforts to hire locally if there are any open positions at the Garage in the future.

**Efforts to Improve the Garage’s Performance/Enhance Value**

Before Pacific Park took over management of the Garage, it was losing about $8,500 a month. For the last several years, staff and Pacific Park have jointly focused on three fronts to improve the Garage’s performance and thus enhance the value of the Garage to potential buyers. The focus has been on: (1) stabilizing and/or reducing the Garage’s common area maintenance
charges ("CAM Charges"), (2) supporting efforts to diversify the Garage’s customer base, and (3) implementing a performance-based fee structure for the garage operator.

In 2011, Pacific Park proposed a number of marketing efforts and cost-cutting strategies that they have successfully used at other garages. These measures by and large were implemented:

- Labor costs were reduced without significantly impacting level of service;
- Base management fees were reduced from $3,300 a month to $1,000 a month;
- More effective marketing efforts were directed at specific target markets;
- More effective promotion tactics were implemented (i.e., website promotions, event planning coordination, optimized searches, and flyers);
- Directional signage was enhanced; and
- More competitive parking rates were established, including an “early bird” rate to attract all-day parkers.

In addition, Pacific Park continues to negotiate with California Pacific Medical Center to bring its overflow parking to the Garage during the weekday daytime hours, when the Garage is underutilized.

One factor that is outside of Pacific Park’s control is the performance of the two commercial tenants at the Fillmore Heritage Center. The Garage’s performance is heavily dependent on the financial health of the two commercial tenants. One of the tenants (Yoshi’s SF) has been going through Chapter 11 bankruptcy proceedings since November 2012, and revenues for the Garage have declined as a result. Before these bankruptcy proceedings started, the Garage was about breaking even. Since the bankruptcy proceedings started, the Garage has been running a deficit of about $3,500 a month. This deficit has been paid with:

(1) Unrestricted reserve balances approved by DOF in the Successor Agency’s Due Diligence Review (“DDR”) (through June 30, 2013),
(2) Loan payments received from some of the Successor Agency’s borrowers (through December 31, 2013), and
(3) New property tax revenue requested on the Successor Agency’s Recognized Obligations Payment Schedule, or ROPS 13-14 B (Line #119), which has been approved by the Successor Agency’s Oversight Board and DOF.

California Environmental Quality Act ("CEQA")

Authorization of the First Amendment to the Management Agreement that will allow for the continued operation of the public parking garage at the Fillmore Heritage Center will not independently result in a physical change in the environment. This action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

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CAM Charges are the operating costs (i.e., management, maintenance, repair, and insurance) associated with managing the common areas at the Fillmore Heritage Center building. The Garage shares these costs on a pro-rata basis with the owner of the commercial space (the Successor Agency) and the condominium owners.
STAFF RECOMMENDATION

Staff recommends approval of the First Amendment, which extends Pacific Park’s management agreement 14 months to June 30, 2015, with one 12-month extension to June 30, 2016 at the sole discretion of the Successor Agency’s Executive Director (See Exhibit B). The extension will allow time for DOF to approve OCII’s PMP and for staff to implement the disposition plan.

(Originated by Tracie Reynolds, Manager, Real Estate and Development Services)

Tiffany Bohee
Executive Director

Exhibit A: Commission Memorandum dated March 15, 2011
Exhibit B: Draft First Amendment to Garage Management Agreement
Exhibit C: Pacific Park’s Valet Position Job Advertisement