

FILE NUMBER: 2025-092

DATE: Tuesday, April 15, 2025

SUBJECT: Operating Agreement with Ace Parking III, LLC for the Parking Management of the San Diego Convention Center and Bayfront Parking Garages

DESCRIPTION: Resolution (A) Finding the Board Action Exempt Under the California Environmental Quality Act (CEQA), Including without Limitation CEQA Guidelines Section 15301; and (B) Selecting and Authorizing Two Operating Agreements between the San Diego Unified Port District and Ace Parking III, LLC for the Management of the San Diego Convention Center Parking Garage and the Bayfront Parking Garage for a Period of Ten (10) Years from July 1, 2025, through June 30, 2035.

EXECUTIVE SUMMARY:

The San Diego Convention Center and Bayfront Parking Garages (together, the “Garages”) are two District owned properties located within south embarcadero with a total of approximately 3,869 parking spaces that are managed by a third-party parking operator (“Operator”). These two Garages generate approximately \$10M of parking revenue annually and recently underwent a competitive selection process to select a qualified Operator for continued management of parking operations, with a focus on best value, including price, service quality, and reliability.

Pursuant to Board of Port Commissioners (“BPC”) Policy No. 110, Request for Proposal (“RFP”) No. 24-22JR was issued on September 25, 2024, with bids due on November 21, 2024. The District received three (3) responsive bid proposals. On January 15, 2025, a six-member evaluation committee reviewed the proposals and conducted interviews with each of the three responsive parking companies. After an extensive procurement process and evaluation, Ace Parking III, LLC (“Ace”) was unanimously selected based on their extensive expertise, cost-effective proposal, recommended improvements and innovative security solutions. They received the highest score and offered the best overall value.

Ace's forecasted operating expenses of \$29.1M over the 10-year period were significantly lower than the other proposals; 29% lower than the 2nd lowest and 92% lower than the highest.

Additionally, Ace’s proposal included management fee reductions compared to the existing Operating Agreements, and District staff has successfully negotiated those fees even lower. The final agreed-upon management fees in the new agreements represent an approximate 18% reduction from the current agreements with Ace, resulting in savings of approximately \$550,000 over the life of the new agreements. Staff recommends that the Board approve Ace's selection and authorize two (2) new 10-year operating agreements for the management of the Garages, effective from July 1, 2025, through June 30, 2035.

RECOMMENDATION:

Adopt a Resolution (A) Finding the Board Action Exempt Under the California Environmental Quality Act (CEQA), Including without Limitation CEQA Guidelines Section 15301; and (B) Selecting and Authorizing Two Operating Agreements between the San Diego Unified Port District and Ace Parking III, LLC for the Management of the San Diego Convention Center Parking Garage and the Bayfront Parking Garage for a Period of Ten (10) Years from July 1, 2025, through June 30, 2025.

FISCAL IMPACT:

The parking revenues over the life of the 10-year operating agreements are forecasted to be approximately \$121M while operating expenses are forecasted to be \$29.1M, resulting in approximately \$91.9M of anticipated net revenue to the District over the life of the agreements.

COMPASS STRATEGIC GOALS:

Selecting a qualified Operator for the management and operation of these two key District parking assets is essential for the maintenance and enhancement of these Garages. A well-managed parking garage ensures continued revenue growth while also improving the overall guest experience for those visiting downtown San Diego and our District tidelands.

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A vibrant waterfront destination where residents and visitors converge.
- A Port that is a safe place to visit, work and play.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

Background

Parking is the first experience a person encounters when visiting and arriving at their destination. The San Diego Convention Center Parking Garage located at 111 West Harbor Drive, San Diego, California is a two-level facility constructed in the mid-1980s with approximately 1,885 parking spaces and current annual parking revenues of approximately \$6.9M. The Bayfront Parking Garage located at 801 Harbor Drive in San Diego is a seven-level facility built in 2005 with approximately 1,984 parking spaces and current annual parking revenues of approximately \$3.1M. See Attachment A to this agenda sheet for a location map. These two District-owned properties are the highest revenue generating parking assets in the District's portfolio and are currently managed by Ace.

Procurement Details

Pursuant to Board of Port Commissioners Policy No. 110, District staff issued a Request for Proposals (“RFP”) No. 24-22JR seeking a qualified company for the continued management of the Garages. A "best value" procurement process was followed considering not only price but also quality, service, and company reliability, allowing for a more comprehensive evaluation and selecting the best overall value.

The RFP was advertised through Planet Bids under five (5) categories related to the required scope of services and 366 potential bidders were notified. The solicitation was issued on September 25, 2024, an information exchange meeting was held on October 8, 2024, the advertisement period was open for a total of 58 days, and bids were due by November 21, 2024. Each company's DEI information was also required to be included in their bid submittal. There was a total of three (3) proposals received, and all were deemed responsive. Table 1 lists the three (3) companies that submitted proposals in alphabetical order.

Table 1. Companies Submitting Proposals for RFP No. 24-22JR

Firm	Office Location
ABM Industry Groups, LLC	San Diego, CA
Ace Parking III, LLC	San Diego, CA
LAZ Parking California, LLC	San Diego, CA

On January 15, 2025, a six-member evaluation committee reviewed the proposals and conducted interviews with each of the three companies. The committee included Port staff, the hotel manager of the Hilton San Diego Bayfront, the hotel manager of the Marriott Marquis San Diego Marina, and the Chief Operating Officer of the San Diego Convention Center. A decision analysis was completed by the evaluation committee whereby all three (3) companies were evaluated based on the information gathered through the responsive RFP written submittals and the January 15, 2025 interviews. The companies were ranked based on the evaluation criteria and weighted scoring system established in the RFP. Key elements of the RFP included:

1. Operating expenses to run both Garages;
2. Management fee structure to be paid to Operator;
3. Staffing levels and experience;
4. Security recommendations; and
5. Recommended parking technology improvements.

Following a thorough decision analysis, Ace Parking III, LLC was unanimously chosen as the recommended Operator, receiving the highest score and offering the best overall value. The decision was based on several factors, including the capability to perform, proforma budgets, operating and marketing plans, quality and experience of the proposed

staff, and history managing similar garages that support conventions, events, and hotels. The aforementioned hotel managers of both the Hilton Sandberg Diego Bayfront and the Marriott Marquis San Diego Marina as well as the COO of the San Diego Convention Center all also submitted a letter supporting the selection of Ace as the on-going operator for both Garages (see Attachment D). Feedback will be available to all respondents upon request and once the new operating agreements have been approved by the Board. A few key items stood out from Ace’s RFP submittal and presentation to staff:

1. Superior understanding of the complexities involved with managing the two Garages. On any given day, the Garages may be used to satisfy demand for hotel visitors as well as events at the Rady Shell, Petco, and the Convention Center.
2. Development and management of a parking reservation platform that partners with the San Diego Padres and Petco Park, Wonderfront Festival, Comic-Con, and other major events to prioritize parking sales for the District Garages. This feature allows guests to purchase event tickets and parking reservations at District Garages in one transaction helping to drive revenues for the District.
3. Most innovative garage security approach through Elite Interactive Solutions (“Elite”), which combines 24/7 remote video monitoring with on-site security presence. Elite’s video monitoring software includes analytics and algorithms to identify suspicious movements for agent review. Elite’s agents typically have law enforcement or military backgrounds. Harbor Police is supportive of improved technology to potentially improve security for the parking guests and provide additional security enhancements at the Garages.
4. Ace manages over 12,000 additional parking spaces throughout downtown San Diego in close vicinity to the two Garages, and when these additional parking spaces reach full occupancy, Ace will direct parkers to the District’s Garages to satisfy overflow demand.
5. Ace’s forecasted operating expenses for the 10-year term were significantly lower than the other two (2) submittals: 29% lower than the next closest and 92% lower than the highest. Some of the key cost savings compared to the other proposers included more efficient security and other operating expenses. See Table 2 below for totals comparisons.

Table 2. Proposers Revenue & Expense Forecast

10 Year Forecasted Revenue And Expenses			
	ACE	LAZ	ABM
Revenue	\$120,953,991	\$115,598,410	\$116,931,615
Expenses	\$29,050,270	\$37,615,322	\$55,778,303
vs ACE		29%	92%

Ace Parking Background

Ace, headquartered in San Diego, manages 16,000 total parking spaces downtown and has over 150 years of parking experience. Ace has a long history of managing parking for large events at the San Diego Convention Center, USS Midway Museum, Seaport Village, Big Bay Boom, Wonderfront Music Festival, and various annual parades. Ace has managed the Convention Center Parking Garage since it opened in 1989 for 36 continuous years and the Bayfront Parking Garage since it opened in 2007 for 18 continuous years. Over the years, Ace has effectively managed Garage operations through many parking industry changes and downturns such as COVID shutdowns, fires, and floods.

Operating Expenses and Management Fee Structure

District staff negotiated an operating agreement with Ace for the San Diego Convention Center Parking Garage (Attachment B) and an operating agreement with Ace for the Bayfront Parking Garage (Attachment C) which both provide that the District will pay Ace for its preapproved operating expenses plus pay a management fee while all Garage revenues will be deposited into a District owned account. In order to control expenses, at the beginning of each fiscal year, Ace will be required to submit to the District, for the District's approval, a budget of annual expenses by month with line-item details; should Ace require any increases to the budget due to a special project of \$500 or greater, a request is required to be submitted to District for prior written approval prior to payment. For payments, Ace will submit a monthly statement with invoice backup in accordance with the approved budget that the District reviews and approves prior to making payment. Ace is also incentivized to manage expenses and increase revenues through a management fee structure that includes a base fee plus bonus incentives for net income levels above a threshold level for each of the Garages. Ace's RFP submission included base management fee reductions compared to the current agreements for the Garages, and District staff has further negotiated those fees downward. The final negotiated fees in the new proposed agreements represent an approximate 18% reduction compared to the current agreements with Ace for the Garages, and approximately \$550,000 of savings over the life of the new agreements. See Table 3 below for the detailed management fee structure per Garage.

Table 3. Management Fee Structure per Garage

Convention Center			
	Current Terms	RFP	Negotiated
Annual Base Fee	\$42,000	\$24,000	\$24,000
Incentive Fee above Net Income Threshold	7.93% of Net Income > \$4.495M	7.93% of Net Income > \$4.495M	7.93% of Net Income > \$4.495M +Escalator
Threshold Escalator	0	0	.75% Annual Increase

Bayfront Garage			
	Current Terms	RFP	Negotiated
Annual Base Fee	\$42,000	\$24,000	\$24,000
Incentive Fee above Net Income Threshold	10.39% of Net Income > \$2.1M	10.39% of Net Income > \$2.1M	10.39% of Net Income > \$2.1M+Escalator
Threshold Escalator	0	0	.75% Annual Increase

Parking Rates

The parking rates for these Garages are set in accordance with San Diego Unified Port District (SDUPD) Code Article 8, Section 8.21 – Parking Rates at Tidelands Public Parking Lots and Garages, as approved by the Board on May 9, 2023, and outlined in Attachment E. Ace may adjust pricing based on events and demand, provided it remains within the existing established rates. Any increases or modifications beyond the current rates will require future Board approval.

Technology and Garage Improvements

As part of the RFP process, each respondent submitted recommendations for technology and other major Garage improvements. The RFP stated that the selected company would pay for any agreed upon major improvements up front and amortize the costs back to the District over the life of the new operating agreements. Due to any improvements potentially requiring a public works bidding process, separate Board approval could be necessary in the future. In any event, such major projects (and costs thereof) will in all cases require District’s prior written approval.

District staff has identified the top two most important new technology and security improvements that will greatly enhance both Garage operations and the guest experience:

1. **Flash Parking Access Revenue Control System (PARCs)** – A cloud-based parking equipment system with interchangeable components, which is expected to simplify repairs and replacements while reducing the long-term equipment maintenance costs. The upgraded equipment will facilitate a “pay on exit” approach which will specifically tighten revenue controls at the Convention Center garage and will improve entry and exit delays as well. This new proposed parking equipment will also seamlessly integrate with the Hotel Key systems for both the Marriott and Hilton brands. Note that the Flash PARCs system is currently in use at Seaport Village and has been deemed a good choice for parking operations.
2. **Elite Interactive Solutions Security Camera (CCTV) System** – A 24/7 live video monitoring system operated through a centralized command center with on-the-ground security personnel. This upgrade will significantly enhance security response times and improve guest and vehicle safety within the Garages. In addition, it will be an improvement for Harbor Police for incidents to have high-quality security video to access.

Staff Recommendation

Staff believes that Ace has the knowledge, experience, and financial wherewithal to operate and manage the Garages while serving the parking needs for the Convention Center, Hilton, Marriott and Rady Shell as well as other nearby District tenants. Staff recommends the Board adopt a resolution selecting and authorizing two (2) new operating agreements between the District and Ace for the Management of the Garages for a period of ten (10) years from July 1, 2025, through June 30, 2025, with the following core economic terms:

- A. Annual Base Management Fee: \$24,000 per Garage.
- B. Annual Incentive Fees:
 - i. Convention Center Garage 7.93% on net income greater than \$4,495,000 +.75% escalator per year.
 - ii. Bayfront Garage 10.39% on next income greater than \$2,100,000 + .75% escalator per year.
- C. Expenses: Ace will be required to pay District approved operating expenses and invoice the District monthly.

General Counsel's Comments:

The Office of the General Counsel has reviewed this agenda sheet, and the attachments as presented to it and approves the same as to form and legality.

Environmental Review:

The proposed Board action, including without limitation approving a resolution selecting and authorizing two (2) operating agreements between the San Diego Unified Port District and Ace Parking III, LLC (Ace) for the management of the San Diego Convention Center Parking Garage and the Bayfront Parking Garage for a period of ten (10) years from July 1, 2025 thru June 30, 2035, is categorically exempt pursuant to California Environmental Quality Act ("CEQA") Guidelines Sections 15301 (Existing Facilities), and Sections 3.a.(4) of the District's Guidelines for Compliance with CEQA because the project would consist of operating agreements for existing parking garages that would involve no expansion of use beyond that previously existing and would not result in a significant cumulative impact due to the continuation of the existing use. The District has determined none of the six exceptions to the use of a categorical exemption apply to this project (CEQA Guidelines Section 15300.2).

The proposed Board action complies with Sections 35 and 87 of the Port Act which allow the Board to do all acts necessary and convenient for the exercise of its powers and which authorizes the construction, reconstruction, repair, and maintenance of highways, streets, roadways, bridges, belt lines railroads, parking facilities, power, telephone, telegraph or cable lines or landings, water and gas pipelines, and all other transportation and utility facilities or betterments incidental, necessary, or convenient for the promotion and accommodation of any of the uses set forth in this section. The Port Act was enacted by

the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

The proposed Board action does not allow for development, as defined in Section 30106 of the California Coastal Act, or new development, pursuant to Section 1.a. of the District's Coastal Development Permit ("CDP") Regulations because there will not be, without limitation, a physical change, change in use or increase in intensity of uses. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, development within the District requires processing under the District's CDP Regulations. Future development would remain subject to its own independent review pursuant to the District's certified CDP Regulations, Port Master Plan, and the relevant chapters of the Coastal Act. The exercise of the District's discretion under the District's CDP Regulations is in no way limited by the proposed Board action.

Diversity, Equity and Inclusion Program:

Due to limited subcontracting opportunities, no SBE goal was established for this opportunity.

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Attachment(s):

- Attachment A: Location Map
- Attachment B: Operating Agreement with Ace Parking III, LLC for the Management of the San Diego Convention Center Parking Garage
- Attachment C: Operating Agreement with Ace Parking III, LLC for the Management of the Bayfront Parking Garage
- Attachment D: Letters of Support
- Attachment E: Port District Code Section 8.21 – Parking Rates at Tidelands Public Parking Lots and Garages