



## **Choosing the right parking operator has the potential to produce substantial revenues for owners**

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The parking industry continues to be a vital force in today's economy, not only in the United States but abroad as well. Urban centers, as well as business, residential, and shopping areas rely on the availability of parking in order to conduct their businesses successfully. Since its birth in the 1920s, parking has become a sought-after commodity. Parking has the potential to produce substantial revenues for property owners if the parking operator that is chosen makes the right decisions. For this reason, it is very important to select the appropriate operator for your property. If you have never operated a parking facility before, it can seem quite simple. Cars go in and cars come out and pay when they leave. In reality, a parking facility can range from a simple small parking lot to a complex multilevel structure with many entrances and exits; every facility is different. Some require complex reporting and must track various types of parkers, ranging from monthly, to transient, to event parkers. Therefore, an experienced parking operator is necessary in order to determine the best way to maximize a facility's potential.

### **Request For Proposal Process**

When deciding that you would like a parking management firm to operate a facility, a Request for Proposals (RFP) should be issued. This process allows the owner to select an operator not only by cost, but also according to the appropriate management plan and experience. Most owners select a parking management company on the sole basis of who has the lowest fee. Instead the decision should be based upon who will service customers the best and who will maximize profits. When reviewing an RFP, the parking operator's qualifications are of utmost importance, such as, similar experience to your facility, number of facilities operated within close proximity, proposed plan of operation, and the proposed budget. Typically, a parking contract can be structured as a management agreement, a lease agreement or a revenue sharing agreement.

### **Management Agreement**

Under the terms of a management agreement, the parking contractor operates the facility as an agent for the owner. For example, LAZ Parking provides cashiers, accounting functions, management and auditing functions. Compensation for the parking operator would be based on a monthly fixed fee or percentage of gross receipts, as well as reimbursement for expenses.

### **Lease Agreement**

Under a lease agreement the owner of a facility leases the property to a parking operator who in turn pays a fixed, monthly compensation to the owner, regardless of whether or not there is a profit.

In this type of agreement, LAZ Parking assumes all the risk, and is responsible for all repairs and maintenance, as well as providing for all the necessary staff, procedures, equipment, etc. to ensure a smooth operation.

### **Revenue Share**

A revenue sharing agreement can be included in either a management agreement or a lease agreement. In a management agreement, the property owner pays the parking firm the agreed upon monthly fee, and if the facility generates gross/net revenues over a predetermined amount, the parking operator is paid an additional amount based on the agreed upon percentage. A lease arrangement functions in the same manner. Once a predetermined threshold is reached, the excess gross/net revenues are split between the owner and the operator. Many parking firms believe this is the best type of agreement as it incentivizes the parties to do whatever they can to maximize profits.

Other aspects involved in the successful management of parking facilities include the overall design and layout, maintenance and repair schedules, and revenue control systems.

#### Maintenance

When evaluating the maximize potential of a garage, there are three major factors to consider. If any of these factors are ignored, your facility could suffer from unnecessary repairs and maintenance cost, which will impact the bottom line. These three factors are: (1) construction, (2) design, and (3) preventative maintenance.

#### Revenue Control Technology

Revenue/access control is vital to any facility; it is a great tool to minimize potential loss inherent in any cash business. The right equipment can generate reports that identify problem areas as well as track the current usage within the facility. A revenue control system will also record revenues by day, location, shift, tickets issued, and maintain an overnight car count with License Plate Recognition (LPR) and provide audits.

When making a decision as to which parking management firm will operate your facility, don't be misled by looking only at what the parking contractor's payments will be. Working with an experienced parking management firm that understands the property owner's goals will result greater customer service and will increase your profitability.

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