WALKER
PARKING CONSULTANTS

City and County of Honolulu Public Parking System

Preliminary Feasibility Analysis of Monetization

April 19, 2010

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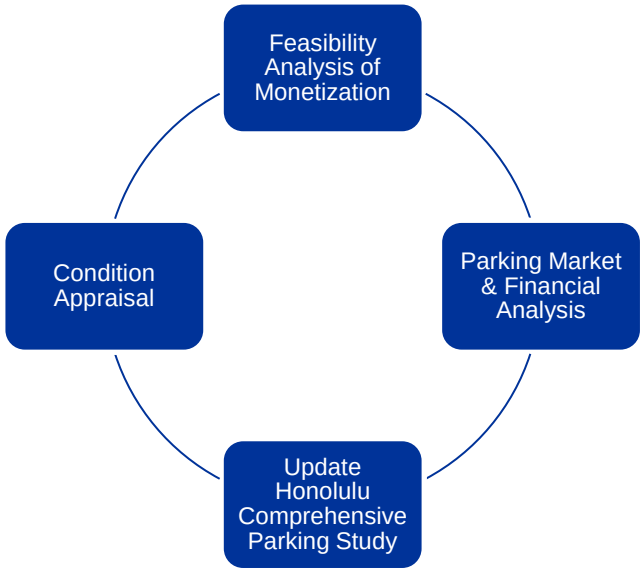
Note: This report was funded in part through grants from the Federal Highway Administration and Federal Transit Administration, U.S. Department of Transportation. The views and opinions of the agency expressed herein do not necessarily state or reflect those of the U. S. Department of Transportation.

Executive Summary

Current Status of Project

- Walker has prepared a Preliminary Draft Feasibility Analysis of Monetization that is contained herein.
- Walker has requested operating data from the City and County and is awaiting receipt of requested items.
- Walker is in the process of preparing the Parking Market and Financial Analysis, and updating the Honolulu Comprehensive Parking Study from 1973.
- Current demand for acquiring the Honolulu Parking System assets via various monetization structures

Project Tasks



Executive Summary

Preliminary Conclusions

- Based on our preliminary review of the Honolulu Parking Assets, Walker concludes that a long-term concession may be the most appropriate monetization structure. This structure would provide upfront needed capital while ensuring professional oversight of the public parking assists.

- The current Parking System is underperforming and could yield a measurable return to a potential concessionaire with short-term objectives to correct parking rates, consolidate parking operations, extend meter hours, implement revenue-enhancing technologies, and materially reduce operating expenses.

- A qualified concessionaire will bring a team of equity partners to the transaction who specialize in operating parking facilities under an enterprise model. Standards for operation and maintenance would be set forth by the City and County to ensure public parking is delivered to the community at the highest level of professionalism and efficiency.

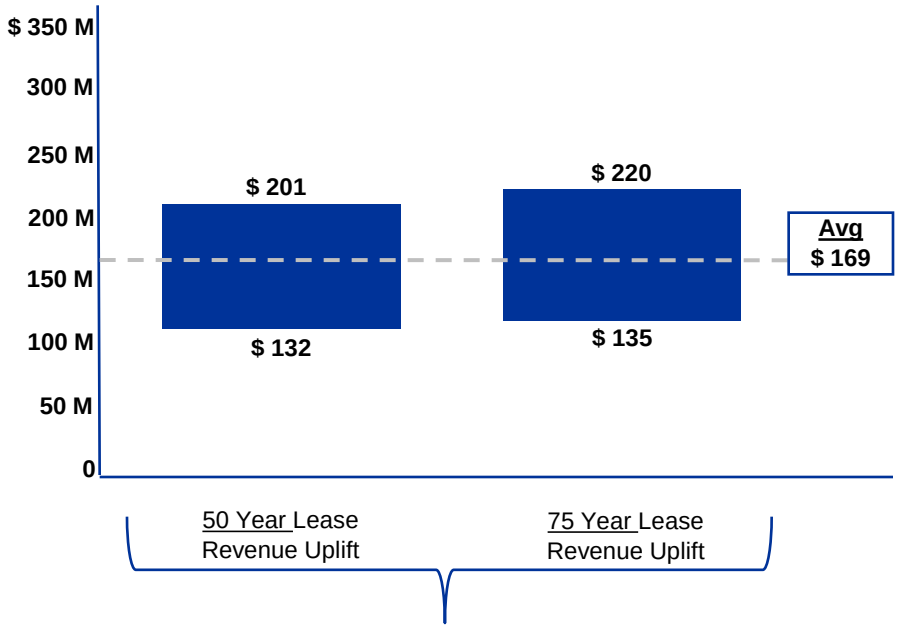
- The current state of the Parking System would likely yield a fair market value in a sale transaction that would be less than a bid amount received through a long-term concession agreement. It is plausible that the City and County may decide to sell select parking assets and still enter into a long-term concession agreement for a significant portion of the Parking System.

- The preliminary evaluation of potential value if monetized through a long-term concession agreement ranges depending on the length of the concession agreement and applied discount rate. Our preliminary valuation range assuming a 75-year term is $135 to $220 million, and assuming a 50-year term is $132 to $201 million.

- Walker recommends that the results from our impending comprehensive analysis of current and future market conditions, the public parking system and lifecycle costs be included in a revised valuation. Our current projections are based on limited data and may likely be underestimating the potential value.

Executive Summary

Preliminary Valuation Range



	Discount Rate Assumptions			
Term	**8.00%**	**9.00%**	**10.00%**	**11.00%**
50 Years	$ 201	173	150	132
75 Years	$ 220	184	156	135

Key Assumptions:

Discount Rate
8.00% -11.00%

Parking System includes:
- **Off-Street Structures**
- **Off-Street Lots**
- **On-Street Meters**

Further Analysis Will Clarify:

- **Pricing Elasticity**
- **Demand Growth**
- **Projected Gross Revenue**
- **Operating Expenses (Opex)**
- **Capital Expenditures (Capex)**

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Overview of Monetization Structures

A parking Public-Private Partnership ("Parking P3") transaction is an agreement between a municipality that owns a public parking system and a private operator.

Two Primary Types of Parking Monetization Transactions

Long-Term Concession

The municipality retains ownership of the system, while the private operator is responsible for operating the system within a pre-determined set of boundaries. Generally, the length of the agreement is between 40 to 99 years, during which time the private operator is responsible for all costs associated with operating the system.

The municipality receives an upfront payment based on the future value of the operating cash flow.

Sale of Assets

A sale transaction is an agreement between a municipality that owns a public parking system and a private operator where by the municipality liquidates or sells some or all of its parking assets. The municipality transfers legal ownership of the public parking assets to the private operator.

The municipality receives an upfront payment based on the current market value of the parking operations.

Parking Privatization Transaction

POTENTIAL BENEFITS:

Governmental Benefits

- Enables the municipality to focus on its core mission
- Municipality is no longer exposed to the business risks of the parking system and the related financial impacts
- Operating standards ensure the municipality is providing a state-of-the-art and user-friendly system to the public

User Benefits

- Although municipal governments are adept at providing core services, they are admittedly not proficient at running revenue enterprises. This is a general acceptance in both the public and private sectors that a private operator often improves the user experience by virtue of their experience, expertise and focus on managing revenue enterprises.
- Operating standards require the system be run in a specific and user-friend manner

Physical Improvements

- Private operators have nearly unlimited access to capital
- Private operators invest capital based on economic decision-making, rather than “capital triage” that municipalities with competing needs for capital face
- Operating standards require physical assets remain state-of-the-art.

Enhanced Financial Results

- Private operators are adept at improving operational efficiencies related to both revenues and expenses, increasing long-term profitability of the system
- Within the context of the agreement, a private operator will increase long-term profitability via profit-maximizing decision-making
- Private operators tend to be forward-thinking rather than reactive
- Private operators tend to be fast-acting (i.e. less red tap, counsel approvals, etc.)

Parking Privatization Transaction

POTENTIAL CONCERNS:

Governmental Concerns

- Parking rates will increase in downtown and adversely impact office and residential tenants
- Possible change in legislation needed to bring the parking assets onto the tax roll under terms of a concession agreement
- The Administration will not have control over downtown public parking and how it is used
- A sale or long-term lease transaction requires public input, months of due diligence and time that may not be available
- Many decisions must be made by the Administration that will directly impact the deal structure

  - ✓ What parameters will we place on future parking rate increases?
  - ✓ Will it be permissible for the City and County employee parking subsidies to be removed?
  - ✓ Will it be permissible for leases to be renegotiated or terminated with building owners and tenants?
  - ✓ Will it be permissible for parking operator agreements to be bundled?
  - ✓ How will light rail and parking policies be coordinated?
  - ✓ Will citation income be included in a privatization of the parking system?
  - ✓ Will citations, collections, and maintenance processes be privatized?
  - ✓ Will State and City and County mutually work together to increase citation income?

User Concerns

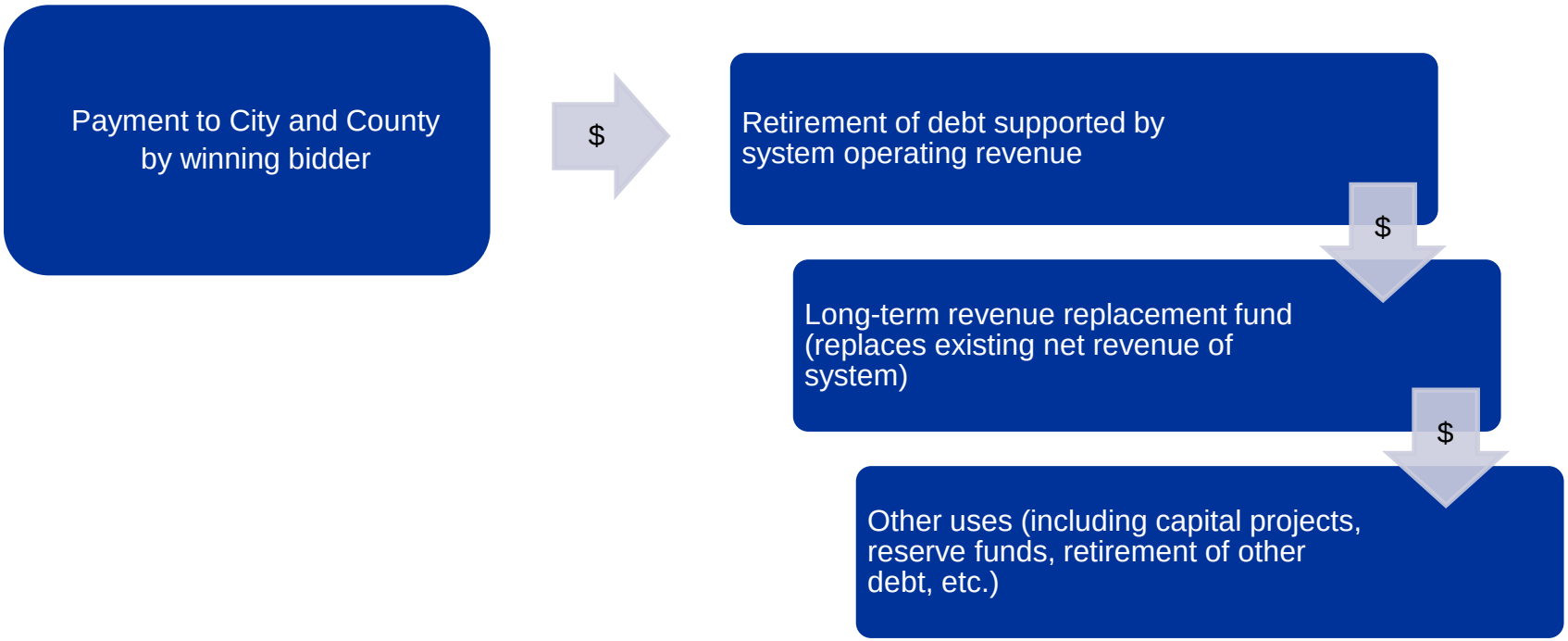
- Downtown building owners, employees, and residents may be concerned about future downtown parking rates
- Downtown building owners may be concerned that parking assets will fall into disrepair if privatized

Parking Privatization Transaction

Use of Proceeds

Typically, a Parking P3 results in an up-front payment to the municipality in exchange from foregoing net operating income throughout the life of the agreement. As such, municipalities often apply the up-front proceeds in the following order:

Flow of Funds



Overview of Public Private Partnership (P3) / Concession Process

Phase I

Feasibility Study

- Complete market study, financial advisor due diligence, detailed model, condition appraisals, engineering studies and capital life-cycle cost estimation
- Preliminary conclusions including perspective on included / excluded assets
- Prepare potential buyer's list / Draft RFI / Draft RFQ
- Detailed discussion of City/County's and other stakeholders' objectives / goals
- Decision to proceed

Request for Qualifications

- Prepare Confidential Information Memorandum (CIM), confidentiality agreement, draft Concession Agreement, data room, Management Presentation and site visit logistics
- Meetings with bidders to assess potential bidder appetite and concession agreement concerns, including preference for included / excluded assets
- Receive RFQ responses / Finalize optimal asset mix
- Discuss progress / potential issues with City/County and other stakeholders
- Determine RFP Bidders

Phase II

Request for Proposals

- Distribute CIM, draft concession agreement and RFP to Qualified Bidders
- Conduct Management Presentations and site visits
- Call with bidders to discuss comments on concession agreement, adjust concession agreement as necessary
- Receive written preliminary, binding bids from Qualified Bidders
- Discuss bids with City/County and other stakeholders

Closing Phase

- Negotiate final bid and documentation
- Sign agreement and announce transaction
- Defease existing debt

Overview of Public Private Partnership (P3) / Concession Process

EVENT	CONCEPTUAL TIME PERIOD
Seller Due Diligence	8 – 12 weeks
RFQ Document Preparation	2 – 6 weeks
Contact Buyers / RFQ Process	4 – 6 weeks
RFQ Submission and Qualifications Review	2 – 4 weeks
RFP Process	8 – 10 weeks
RFP Submission	1 week
RFP Submission Review	2 – 4 weeks
Announce Transaction / Closing Process	1 - 2 weeks
ESTIMATED TIMELINE	**≈ 28 – 44 Weeks (7 – 11 Months)**

Overview of Potential Investors and Buyers

Potential Buyers	Infrastructure Investors / Pension Funds	Private Equity Firms	Parking Operators	Banks
	Alinda	Blackstone Group	Standard Parking Corp.	City Infrastructure
	Steelriver	Carlyle Group	Ampco System Parking	Goldman Sachs
	Lambdastar	Gates Group	LAZ Parking	JP Morgan
	EQT	Global Infrastructure Partners	Impark	Morgan Stanley Infrastructure Partners
	Borealis Infrastructure	Kohlberg & Company	Central Parking System	UBS
	Brookfield Asset Management	Kohlberg Kravis Roberts & Co.	Worldwid e Parking	
	Caisse de depot et placement du Quebec		InterPark	
	CPP Investment Board		Alc Parking	
	John Hancock		APCOA Parking	
	PSP Investments		VINCI Park	
	OPTrust		Q-Park	
	Teachers' Pension Plan		Cintra Aparcamientos	
	Challenger		National Car Parks	
	Hastings Funds Management		Albertis	
	Macquarie		ACS	
	IFM			

Relevant Privatizations in the United States

System	Location	Assets	Governance	Status	Comments
Pittsburgh	Pennsylvania	Off-Street 8,217 On-Street 8,500	City of Pittsburgh / PPAP	May 2010	RFQ released
Los Angeles	California	Off-Street 7,520	City of Los Angeles	May 2010	RFQ released
San Francisco	California	Off-Street 14,801 On-Street 24,807	City of San Francisco	3Q 2010	Sell-side advisor engaged
Chicago Off-Street	Illinois	Off-Street 15,000	City of Chicago	Closed	$564M transaction
Indianapolis	Indiana	Off-Street 14,194 On-Street 3,369	City of Indianapolis	2Q 2010	RFQ released
Las Vegas	Nevada	Off-Street 2,887 On-Street 1,255	City of Las Vegas	2Q 2010	RFQ released
Hartford	Connecticut	Off-Street 1,645 On-Street 4,751	City of Hartford / HPA	2Q 2010	RFI released
Midway Airport	Illinois	N/A	City of Chicago	N/A	Sell-side advisor engaged
New Orleans Intl. Airport	Louisiana	N/A	City of New Orleans	N/A	Issued RFQ for Sell-side advisor
Puerto Rico Intl. Airport	Puerto Rico	N/A	The Commonwealth of Puerto Rico	2Q 2010	In due diligence process.

Comparison of Honolulu Parking System to Other Privatization Transactions

TRANSACTION	HONOLULU PUBLIC PARKING SYSTEM	CITY OF LOS ANGELES PARKING SYSTEM	CITY OF CHICAGO OFF-STREET PARKING	CITY OF PITTSBURGH PARKING SYSTEM
Status	Under Consideration	RFQ Issued	Closed ($564M)	RFQ Issued
Assets	Off Street 5, 278± On Street 3,020	Off Street 7,520	Off Street 15,000	Off Street 8,217 On Street 8,500
Organization Structure	Multiple Departments	One Department	One Department	Parking Authority
Purpose	Correct Budget Shortfall	Correct Budget Shortfall Defease Debt	Defease Debt	Correct Budget Shortfall
Public Transit	High utilization	Moderate utilization	High utilization	Moderate utilization
Public Parking Rates	Below Market	Below Market	Below Market	Below Market
Private Parking Rates	High	High	High	High
Daily Parking Occupancy Rates	Under Review	80%+	80% +	80%+
Parking Demographics	Under Review	High Daily and Monthly Contract, Weekday. Low Weekend Demand	High Daily and Monthly Contract, Weekday & Weekends	High Daily and Monthly Contract, Weekday. Low Weekend Demand
Parking Adequacy	Under Review	Under supply	Under supply	Under supply

The Honolulu Public Parking System compares favorably to other parking systems that have or plan to privatize via long-term concession agreement. Opportunities for revenue enhancement and margin growth exist.

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Key Drivers for Value

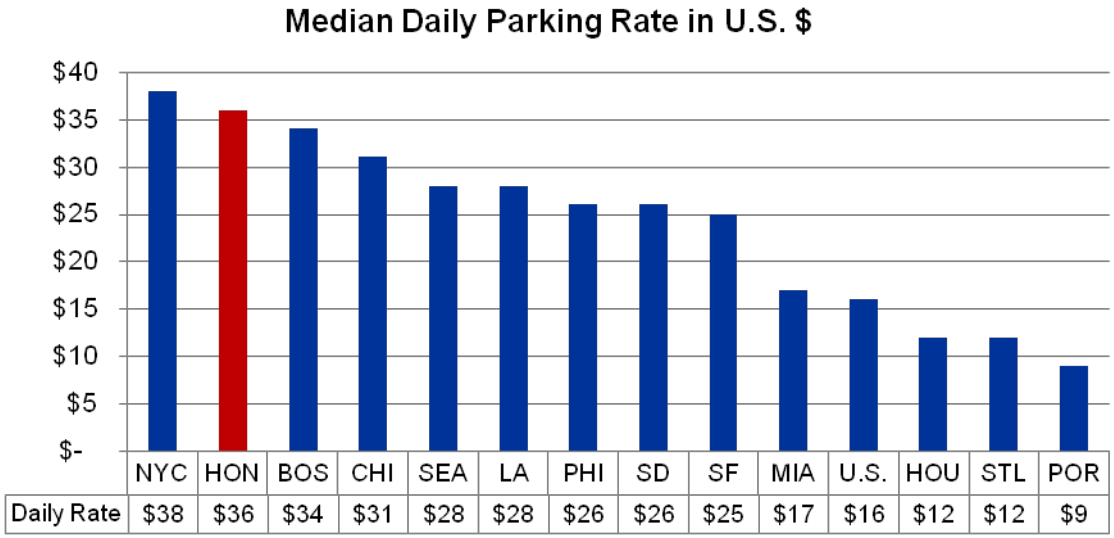
Parking Spaces	• Ability for bidder to add spaces through expansion • Reorganization of product mix (long-term, transient, event, etc.)
Parking Rates	• Increase in rates then flat growth • Congestion pricing during seasonal periods of peak demand • Adjustment / recalibration between first hour, each additional hour and daily maximum rates • Calibration to value price on-street parking
Additional Value Opportunities	• Growth from new development and absorption of vacant commercial space • Structural reorganization – increase supply allocated for transient patrons • Oversell monthly contract parking • Proactively compete for parking patrons through increased marketing efforts
Operating History	• Improve operating efficiency and cost savings • Improve use of technology in revenue and access control (on- and off-street)

Review of Honolulu Public Parking Assets

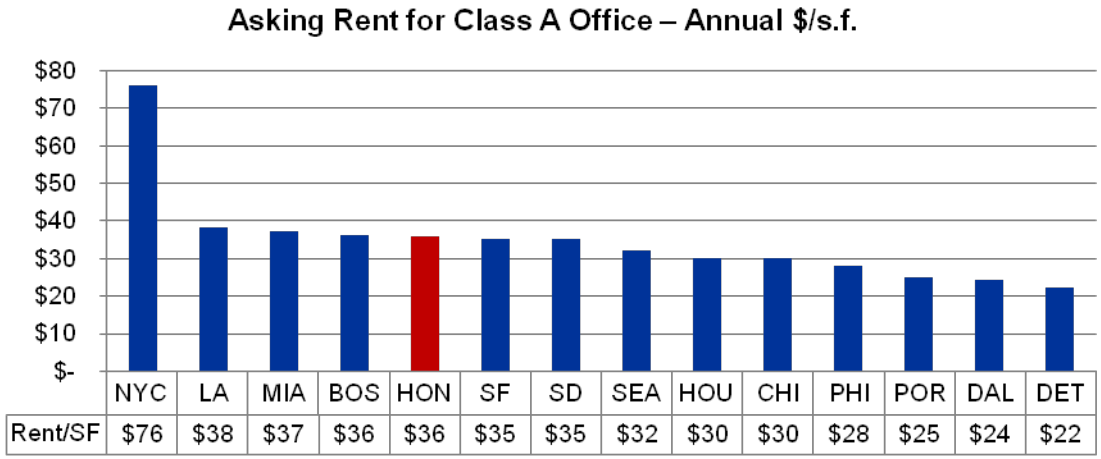
No.	Property	Supply
1	Chinatown Gateway Plaza	275
2	Marin Tower	414
3	Kekaulike Courtyard	138
4	Hale Pauahi	593
5	Kukui Plaza	772
6	Smith-Beretania	129
7	Harbor Court	1,048
8	Harbor Village	70
9	Lani Huli Elderly	-
10	Ali'I Place	400
11	Lot V	49
12	Civic Center Lot	73
13	HDP Lot	10
14	Kailua Lot	140
15	Kailua Elderly Lot	140
16	Kaimuki Lot	106
17	Kapiolani Lot	271
18	Kuhio-Kaiolu Lot	58
19	Palace Square Lot	38
20	River Lot	70

No.	Property	Supply
21	Salt Lake Lot	152
22	Alapai Lot	-
23	Honolulu Zoo Lot	215
24	Kalakaua Avenue	-
25	Neil S. Blaisdell Center Lot	-
26	Bishop-Kukui Lot	100
27	Kaahumanu Lot	-
28	Wahiawa Lot	17
	Subtotal – Off-Street	**5,278**
1	Central Area	1,618
2	Waikiki Area	428
3	Bingham Area	679
4	Kailua Area	192
5	Kaimuki Area	106
	Subtotal – On-Street	**3,020**
TOTAL PARKING INVENTORY		**8,298**

Review of Honolulu Parking Rates

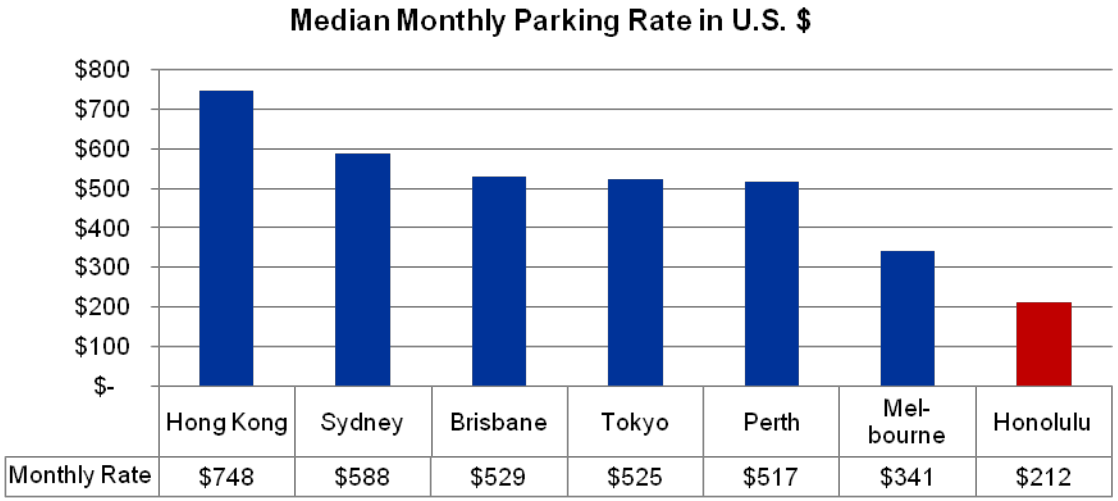


Honolulu Parking Rates are Among the Highest in the U.S.

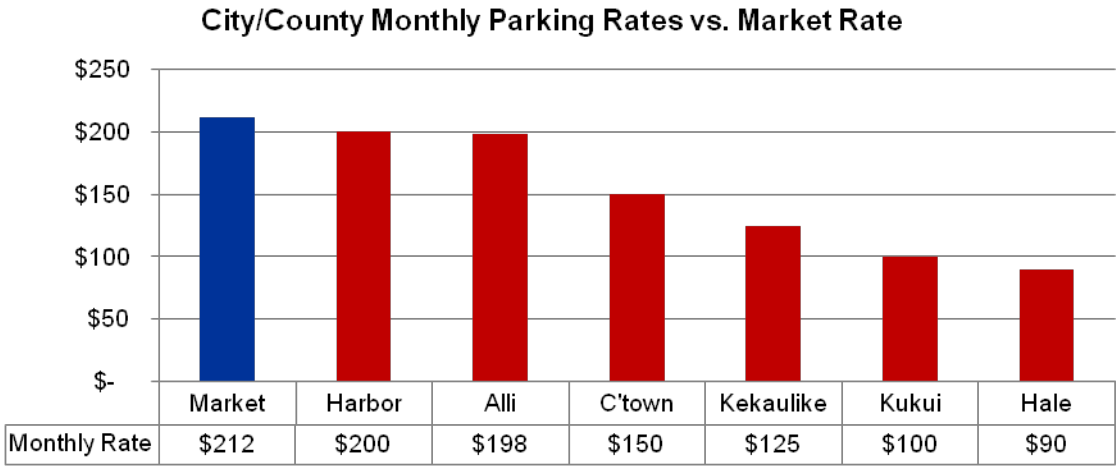


Honolulu Real Estate is Some of the Most Expensive in the U.S.

Review of Honolulu Parking Rates

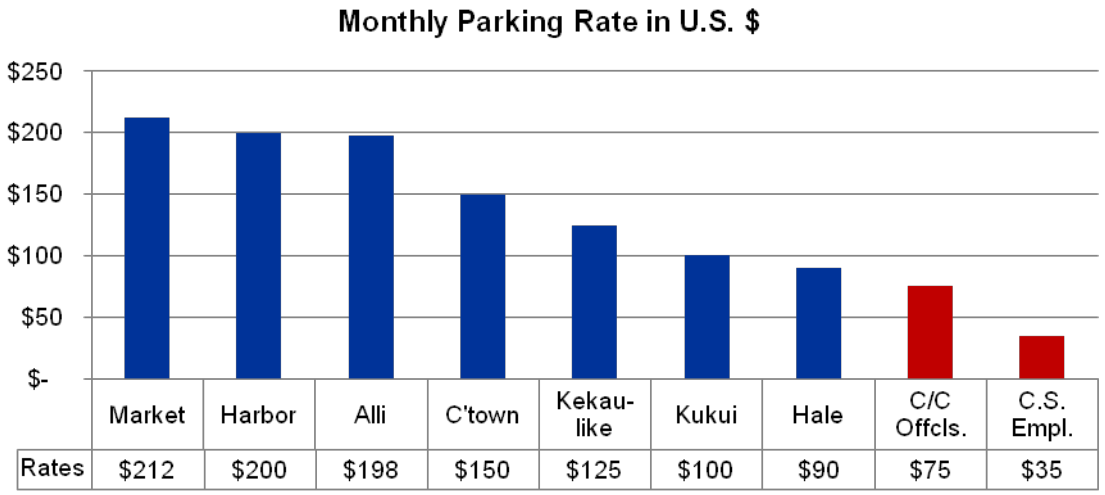


Honolulu Median Monthly Parking Rates are Considerably Lower than Other Asian-Pacific Cities

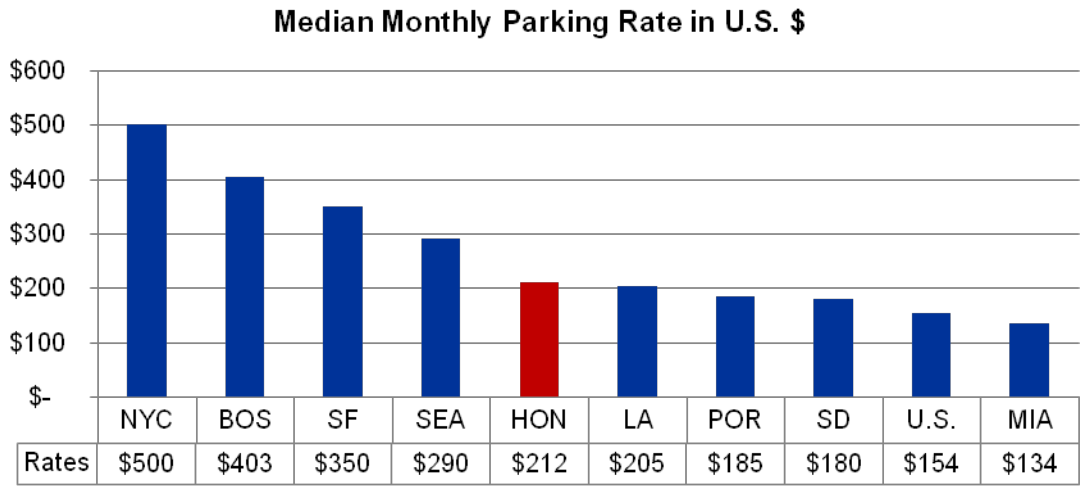


City/County Monthly Unreserved Parking Rates are Priced Below Market

Review of Honolulu Parking Rates

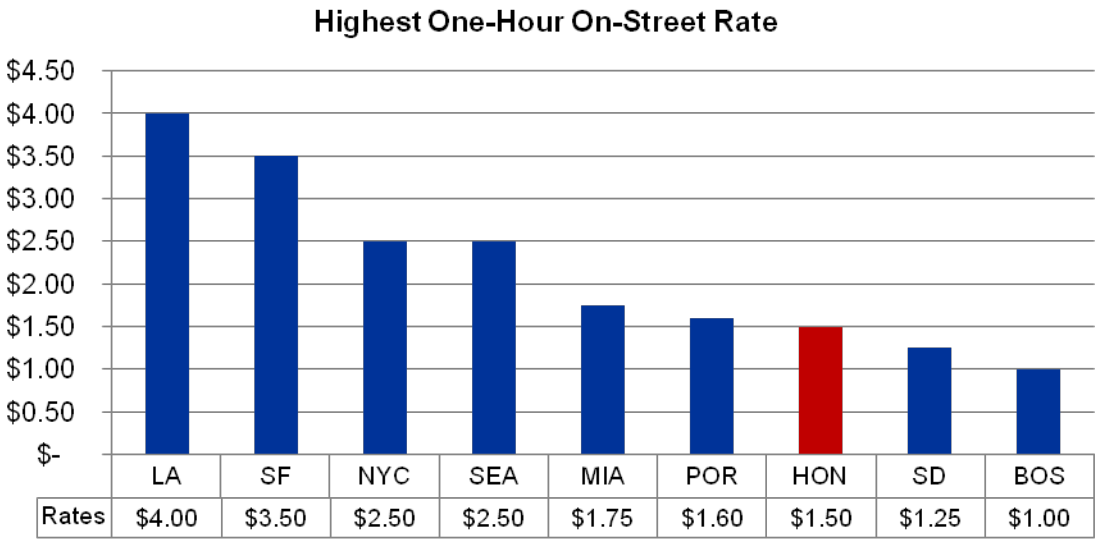


The City and County are Heavily Subsidizing Employee Parking



Honolulu Parking Rates are Modest in Comparison to Other U.S. Peer Cities

Review of Honolulu Parking Rates



One-Hour Parking Rates in Honolulu are Modest and Have Upside Opportunity

Additional Value Opportunities

Unify Parking System as a Single Enterprise	• Increase operating efficiencies through gained economies of scale • Reduce operating costs through competitive bid process or operator partnership
Apply Parking Pricing Strategy to Achieve Financial Objectives	• Change pricing policy from “cost recovery” to “profit goal setting” with clear annual objectives • Increase monthly public and employee parking rates to market levels • Accelerate daily rate schedule to achieve daily maximum in less time • Calibrate on-street parking rates to value price on-street meters above off-street lots and structures
Add New Products and Expand Revenue Sources	• Charge a parking fee at City and County Parks • Extend enforcement hours to include evening and weekends • Consider valet parking at high volume parking locations
Increase Use of Technology	• Improve use of integrated parking access and revenue control equipment and software to increase operating efficiency and cost savings (on- and off-street) • Maximize revenue collection with credit card accessible, multi-space meters

Additional Value Opportunities

Organizational Structure

Additional value could be realized by consolidating parking operations and net revenue under one dedicated parking enterprise fund. The following table summarizes the current flow of funds.

Facility Name	Revenue Recipient
• Bishop-Kukui	Developer
• Kuhio-Kaiolu	Highway Fund
• HPD	Highway Fund
• Kailua	Highway Fund
• Kailua Elderly	Highway Fund
• Kaimuki 2 (Koko Head Ave/12th Ave)	Highway Fund
• Zoo	Highway Fund
• Kapiolani	Highway Fund
• Civic Center	Highway Fund
• Salt Lake	Highway Fund
• Palace Square	Highway Fund
• Harbor Village (River-Nimitz)	Highway Fund
• Wahiawa	Highway Fund
• Alii Place (Alakea-Richards: Area 4a)	Developer
• Harbor Court (Kaahumanu: Area 6)	Highway Fund
• Marin Tower (Maunakea-Smith: Area 3)	Highway Fund
• Kukui Plaza	Highway Fund
• Hale Pauahi	Rental Assistance Fund
• Harbor Village (River-Nimitz)	Housing Developer Fund
• Chinatown Gateway Plaza (Bethel-Hotel)	Housing Developer Fund
• Kekaulike Courtyards (Kekaulike Area 7)	Highway Fund
• Smith-Beretania	Highway Fund
• Kaimuki 1 (12th Ave/11th)	Highway Fund
• On-Street Citation Revenue	State of Hawaii

Additional Value Opportunities

Organizational Structure

Following is a brief identification of those City and County departments that have parking-related responsibilities and a short description of these responsibilities:

Department	Parking Responsibility
Honolulu Police Department (HPD)	The Parking Enforcement and Collection Section of the HPD's Traffic Division installs parking meters, carries out meter maintenance, and has a cadre of parking enforcement officers who issue parking citations. HPD also empties all parking meters for all on- and off-street parking owned by the City and County of Honolulu.
Honolulu Department of Facility Maintenance (HDFM)	This HDFM is responsible for the maintenance of surface parking lots and parking garages. It also manages third-party parking operator contracts, installs and maintains parking meter poles, and performs parking space line striping. Meter maintenance, however, is handled by the HPD.
Honolulu Department of Transportation (HDOT)\	This HDOT is generally not responsible for parking. However in recent years, it assumed responsibility for the maintenance and care of the Kaimuki Lot which had fallen into disrepair and required restoration to bring it to its current state of condition and operation.

Additional Value Opportunities

Upgrade Technology

Convert Current On- and Off-Street Meters to Multi-Space Meters.

- Improves collection rate and maximizes meter revenue potential
- Used by NYC, BOS, SF, DC, DEN, CHI, POR, LA
- $7k-$10k per unit
- Wireless technology
- Can accept rate changes in response to demand fluctuations
- Solar-powered
- Pay-by-space vs. pay and display

Multi-Space Meters

Preliminary Assumptions and Valuation

Identifying the Appropriate Valuation Methodology

Methodology	Description	Benefits	Key Issues / Sensitivities	Key Considerations
Discounted Cash Flow	Net Present Value of Unleveraged Free Cash Flow	Capture the Intrinsic Value of the Underlying Business • Revenue Growth • Capex Budget • Margin Uplift	•Length of Model *Availability and reliability of information in the long term (50, 75 years)* • GDP Growth Rate •Opex Budget • Impact on Local Business • Capex Budget	• Concession Length •Long Term Forecast for Number of Spaces •Growth in Downtown Parking Demand •Growth in Downtown Parking Rates

Preliminary Assumptions and Valuation

General Assumptions

Parking System:

1. Assume “Parking System” includes all public off- and on-street parking.
2. No enforcement revenue is included in this analysis
3. Assume concessionaire sets parking rates
4. Assume City and County Administration supports value pricing strategies for all parking assets and user groups

Demand Assumptions:

1. Capped to not exceed 100%
2. Volume neutral in gross revenue projections

Capital Expenditures:

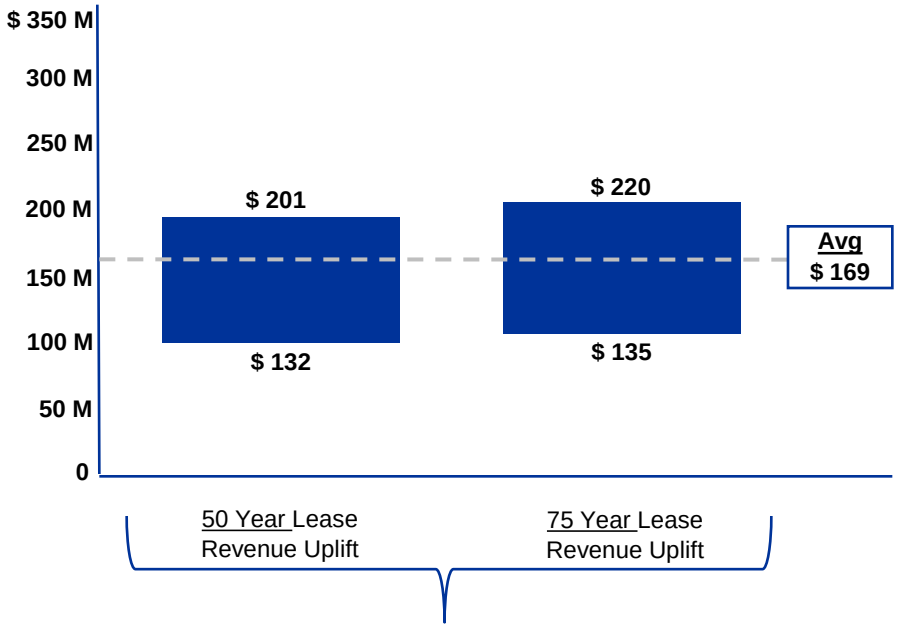
1. Assume Capex budget of $250 per space per year for structured parking
2. Assume Capex budget of $25 per space per year for surface parking
3. Assume meter replacement at $660 per meter
4. Capex budget in 2010 dollars

Operating Revenue and Expenses:

1. Assume initial uplift in parking rates
    - Structured Parking – 50% absorbed over 3-yr period with demand elasticity factor of 15%
    - Metered Parking – 25% absorbed over 2-yr period with demand elasticity factor of 12%
2. Assume a 10% rate increase every 3 years following initial uplift in parking rates
3. Assume initial operating revenue of $1,768 / space
4. Projected CAGR for OpRev of 4.2% over 75-years
5. Assume initial operating expenses of $1,057 / space
6. Assume operating expenses increase by 3% annually
7. Assume meter expenses include collections, maintenance and enforcement and represent 30% of annual gross meter revenue
8. Assume concessionaire team includes a professional parking operator with an equity position
9. Assume no property taxes are paid by concessionaire

Preliminary Assumptions and Valuation

Preliminary Valuation Range



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