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Propark gears up again to expand U.S. parking assets

BY **GREGORY SEAY**

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Propark's nationwide command center is housed in downtown Hartford's Union Place, where the company also has headquarters. Staffers around the clock daily remotely monitor all Propark's Connecticut and other U.S. facilities for security and customer service, including help with lost tickets or access to its parking facilities.

Seven years ago, Propark America was on the verge of a major parking expansion, planning to buy up \$250 million worth of U.S. urban and suburban garages and surface lots.

Then the bottom fell out of the U.S. and local economies, and the Hartford parking operator-manager lost a \$100 million funding commitment from a major New York investor, shelving its expansion, Propark's investment chief says.

But in recent weeks, ProPark has signaled the restart of its acquisition engine with a series of deals amid broader indications that a consolidation is underway among the nation's private-parking operators.

On March 24, Propark declared that, with Canadian equity real estate investor Parkit Enterprises as a partner, it has targeted seven parking facilities worth \$85 million in four states. A month earlier, the company said it paid an undisclosed sum for approximately 20,000 parking spaces and additional valet operations run by WinPark Management LLC in three Texas cities and Phoenix, Ariz.

The economic rebound is slowly bringing more vehicle traffic back into urban areas like Hartford, lifting the demand for parking, said Propark CEO John Schmid, who founded the company with a single downtown Hartford lot in 1984.

"We think the timing is right," Schmid said. "We believe parking assets in urban areas are going to appreciate dramatically over time."

Together, ProPark and Parkit have set up a parking acquisition fund to buy over the next five years assets worth \$500 million using money pooled from Canadian pension funds and other institutional investors, said David Schmid, John's younger brother and Propark's chief investment officer overseeing its real estate.

The asset buildup also will lead in the next 12 months to a doubling of seven jobs in Propark's fledgling parking "command center" in Union Place, where it has headquarters, officials say. Hartford, too, is home to Propark's intrastate and national rival, LAZ Parking Ltd., the nation's No. 3 operator. Propark ranks eighth.

The seven properties that it and Parkit have identified are scattered between the West Coast, West Southwest and Northeast, David Schmid said. Propark's red-white-and-gold signs adorn 425 facilities in 16 states, worth more than \$2.5 billion.

"We're looking across the country," said David Schmid, a former chemical engineer. "This will be a U.S. opportunity."

Propark's investment foray marks the latest attempt at consolidation in the private-parking industry the past two decades, David Schmid said.

Last September, federal antitrust overseers ordered two of the biggest operators — Standard Parking Corp. in Chicago and Central Parking Corp. of Nashville, Tenn. — to sell 107 of their garages and lots in the central business districts of

28 cities to proceed with a \$345 million merger.

Standard and Central each operates some 2,200 parking facilities, including in New York City, Chicago, Los Angeles, Houston and Philadelphia.

In the early '90s, midsize operators like former Kinney System and Schwartz Parking, both in Hartford, were swept up in a consolidation wave, David Schmid said. Early this century, Standard Parking led another consolidation, scooping up parking operators nationally.

In recent years, momentum has built for another round of buyouts, David Schmid said. In 2007, for example, Propark got a \$100 million letter of intent from J.P. Morgan & Co. to finance the acquisition of \$250 million in parking assets. However, Morgan yanked its funding support when the economy floundered.

This time, Propark intends to ride that wave and, with Parkit, has already identified parking assets worth \$65 million for its second acquisition fund.

The reason Propark is buying, David Schmid said, is because it's eager to diversify its parking assets not just regionally but by market category — parking for hospitals, colleges, arenas, etc. — to smooth out the inherent cash-flow peaks and valleys.

Stable cash flow is the key attraction for the institutional investors Propark and Parkit are enticing to fund its half-billion-dollar acquisition blueprint, David Schmid said. A Parkit senior official did not respond in time for this story.

What their model is not, he said, is a back-door play at amassing urban and suburban plots for development later on into office buildings, housing or retail.

"We're not land-banking," David Schmid said.

Propark and Parkit's first collaboration was in the development of the \$19 million, 4,200-space parking facility at Colorado's Denver International Airport. The garage was recently appraised at \$38 million, and cash flow is enough to service the building's debt plus deliver a decent return to its co-owners, David Schmid said. Including the garage, the airport has parking for 40,000 vehicles.

"It's one of our flagship assets," he said. "It's been an amazing homerun for us."

Propark also has its eye on the opportunities that alternative-fuel vehicles present to parking operators. In the San Francisco Bay Area, German marque BMW relies on Propark to park and recirculate its fleet of electric-powered ActiveE automobiles as part of a car-sharing service.

Staying abreast of new technology is another way Propark hopes to build on its franchise, John Schmid said. At San Francisco's airport, parkers can use a ParkNow smartphone app to book a parking space, pay for it electronically and be directed to an open space.

ParkNow technology is rolling out to all Propark facilities over the next 18 months, John Schmid said.

"The way you park is going to be totally different and the way you pay for parking is going to be totally different because of technology," he said.

Of its 2,000 employees nationwide, about 40 are based in Hartford. David Schmid said the offices-to-apartments conversions underway downtown is a welcome development for Propark, and a tacit reward for retaining Hartford as its base.

"We made a very big decision to stay and grow in Hartford," David Schmid said. "If you can make it here, you can do well in other parts of the country."