



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: 06/10/13 REPORT NO: 13-052  
ATTENTION: Land Use and Housing  
Agenda Meeting of June 19, 2013  
SUBJECT: Corporate Partnership Agreement –DecoBike, LLC  
REFERENCE: N/A

REQUESTED ACTIONS:

Adopt an ordinance authorizing the Mayor to 1) enter into a Corporate Partnership Agreement with DecoBike, LLC for the financing, implementation, management and operation of a self-service bikesharing system with certain marketing rights and benefits for a term of 10 years with the option to renew for two additional 5-year terms all on the terms and conditions provided in the proposed Agreement; 2) provide an exemption from the City's sign regulations for the placement of advertising at bikesharing stations; and 3) provide an exemption from the City's parking regulations for parking of bikesharing maintenance vehicles. This agreement represents a capital investment to the City valued at \$7.2 million along with potential revenue of \$2.6 million over the term of the contract not including any losses of parking meter revenue.

Adopt a resolution determining that this activity is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15303 (Small Structures).

STAFF RECOMMENDATIONS:

Adopt the Ordinance and Resolution.

SUMMARY:

**Introduction**

The Corporate Partnership Program (CPP), formerly called the Municipal Marketing Partnership Program, seeks opportunities for the City to generate cash and in-kind resources from partnerships with the corporate community in order to enhance municipal services and facilities in the City. The City Council approved the Program in 1999, and adopted Council Policy 000-40 with guidelines for the Program on January 18, 2000.

## **Bikesharing**

Bikesharing has been growing since 1965. As of May 2012, there were approximately 368,000 bicycles at more than 13,600 stations on 5 continents and 36 countries.<sup>1</sup> Similar to car sharing, bikesharing is a one-time or recurring membership-based system that provides a user access to bicycles operating within the Bike Share system. The central concept of bikesharing is to provide affordable access to bicycles for short-distance trips in an urban area as an alternative to motorized public transportation or private vehicles, thereby reducing traffic congestion, noise and air pollution. Bikesharing has also been cited as a way to solve the “last mile” problem and connect users to public transit networks.

In June of 2012, the Mineta Transportation Institute issued a comprehensive report on bikesharing in North America.<sup>2</sup> Among other findings, the report states that in all cities evaluated, public bikesharing reduces driving and auto emissions. In larger cities, bikesharing appears to draw from public transit use, freeing up capacity and perhaps serving as a faster connection to intraurban locations than previously provided by bus and rail systems. At the same time, there is evidence that public bikesharing is improving urban travel connectivity, contributing to neighborhood economic development, reducing driving and thus lowering vehicle emissions.

San Diego is committed to improving bicycle infrastructure and bike safety as reflected in the City’s 2008 San Diego General Plan, and most recently through a proposed City Council approved Bicycle infrastructure prioritization resolution. In addition, bikesharing is a program recommended for regional implementation in the 2010 SANDAG Regional Bicycle Plan, “Riding to 2050: San Diego Regional Bicycle Plan.”

## **Partnership Development Process**

In September of 2012, the Corporate Partnership Program, in collaboration with the Transportation Division, issued a Request for Sponsorship (RFS) for a Bikesharing Partner. The overall objective of the RFS was to solicit proposals for a partner to develop, install, market and maintain a privately funded Bike Share Program in partnership with the City of San Diego. Approximately 14 bikesharing providers were notified of the RFS. In addition, the opportunity was posted on the City’s Corporate Partnership webpage.

Three companies provided proposals for consideration to the Selection Committee, which was chaired by the Director of the Corporate Partnership Program and consisted of representatives from Transportation, Policy, SANDAG and the San Diego County Bike Coalition. Upon a lengthy evaluation, DecoBike, LLC (DecoBike) was selected to be the City’s Official Bike Share Partner based on their ability to provide the best overall benefit to the City, their successful experience with an existing and functioning system,

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<sup>1</sup> Mineta Transportation Institute, “Public Bikesharing in North America: Early Operator and User Understanding” (MTI Report 11-26, June 2012).

<sup>2</sup> The study conducted by the Mineta Transportation Institute included 14 cities, 19 bikesharing operators in the United States and Canada, and bikesharing users. It reviewed 32 program startups and 9 closures in the United States and 8 program launches and 2 closures in Canada. Seventeen additional programs were planned to launch in the United States after the study was released.

and their plans for expansion in the region.<sup>3</sup> Furthermore, while nearly all Bike Share Programs in the United States rely on public funding and subsidies, DecoBike is one of the only firms that has successfully launched and continues to operate a major Bikesharing Program using only private funds.

### **DecoBike, LLC Proposal**

Attachment A is the proposed Corporate Partnership Agreement negotiated between the City and DecoBike for the investment, implementation, management, and operation of a self-service Bikesharing Program. The Agreement is based upon a ten-year term with the option to renew for two additional five-year terms. Key contract terms and conditions are highlighted below.

### **Sign Ordinance**

The placement of advertising and sponsorship on program bikes and at stations, along with a period of ten years, are both essential terms for the financial viability of a Bike Share Program that does not include City subsidies. The proposed Agreement contemplates that DecoBike will incur significant expense to initiate the Program. The on-bike and station advertising will generate revenue sufficient for the implementation and long-term operation of the Program, and allow DecoBike to recapture capital investment and cover substantial operations costs. In addition, during this term, the City will partner with DecoBike in a marketing and revenue sharing model that is mutually beneficial to both parties. It is important to note that the City is not required to contribute funds for capital improvements or operations for the Program.

The proposed Agreement provides for advertising at each bikesharing station to generate revenue to support the Bike Share Program. The advertising is limited to a two-sided advertising panel ground sign and the available space on the payment kiosk.<sup>4</sup> The sign will hold a poster on each side and can be lit using solar-powered lighting, but will not contain electronic or flashing copy. The signs will be oriented to pedestrians and users of the Bike Share Program, and not oriented to street traffic. The proposed Agreement requires that the revenues generated by the signs be used to support the Bike Share Program and bicycle infrastructure improvements.

The proposed Ordinance includes the creation of an exemption from San Diego Municipal Code Chapter 14, Article 2, Division 12, Sign Regulations. The use of limited and controlled advertising at the bikesharing stations for the purpose of supporting a City-sponsored initiative to provide a public Bike Share Program that will promote bicycle use and decrease traffic and pollution, is consistent with and furthers the goals of

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<sup>3</sup> DecoBike is currently in discussions with several nearby municipalities in Mexico, including Tijuana, to launch bikesharing. DecoBike would like to work with the City to implement the first “cross-border” Bike Share Program to permit residents/workers to utilize bikesharing as a means of transportation.

<sup>4</sup> Exhibit 6.7 to the Proposed Agreement provides the specifications for the advertising sign, a depiction of the placement of the sign at a station, and an example of the type of advertising that would be displayed on the bikes and at the station sites.

the City's Sign Ordinance to promote traffic safety and aesthetics. See City Attorney Memorandum, attached.

This approach has been used in several cities that also generally prohibit advertising in the public rights-of-way (e.g., Washington D.C., Boston, Miami Beach, and Minneapolis). In San Diego, the advertising will provide a critical revenue stream and maintain financial stability without the need for the City to subsidize the Program. According to the Mineta Transportation Report, amending local ordinances to enable cost recovery for a public Bikesharing Program via corporate advertising at bikesharing stations is an important way that local governments can support bikesharing and provide both a public transportation program and public benefit.<sup>5</sup>

### **Site Selection and Community Outreach**

The proposed Agreement includes stakeholder and community outreach as part of the site selection process. If approved, DecoBike, in conjunction with the City's Transportation Division, will conduct community outreach including community meetings, and the development and maintenance of a website to solicit community input and provide progress on implementation, notices and information as requested by the City.

A letter (Attachment B) was sent out to community associations, business districts, parking districts and others to notify them that the program is under consideration by the City Council and Mayor. The letter requests the opportunity to provide a presentation to their association or group and solicit feedback on the program upon approval.

A map of proposed station locations will be developed upon review of community input, and taking into consideration a general service grid that interfaces with existing bicycle infrastructure and master plans. Site visits will be conducted to further evaluate locations in conjunction with other forms of public transit, including car sharing facilities. All sites, including kiosk and bike station layouts will be approved by the City's Transportation and Engineering Departments. Any conflicts or issues with proposed sites will be identified and resolved upon review with city staff.

The proposed Agreement also provides for the placement of stations on private property (e.g., a hotel, grocery store, or mall). While we expect that most stations will be located in the public right-of-way, DecoBike will also reach out to private property owners that may be able to offer sites in strategic locations.

### **Potential Parking Space and/or Loading Zone Impact**

In some cases, if there is no other option, placement of a station may necessitate evaluation of partial use of passenger loading zones or removal of a metered/ non-metered parking space in order to create an effective Program network. If metered spaces are removed, there could be a loss of revenue to the Parking Districts (average monthly revenues per spaces range from \$1,700 for older style meters to \$2,500 for smart meters),

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<sup>5</sup> MTI Report 11-26. [page 34]

depending on the type of meter and location. The revenue impact would most likely begin early 2014. There are currently 51 “smart” single space meters, 130 multi-space meters and 4,500 older style meters throughout the City and, based on the initial assessment, less than 10 spaces throughout the Parking Districts could be impacted. Again, this is not a definitive number as the community outreach phase and evaluation of suitability of locations has not yet occurred.

DecoBike would not be responsible for lost revenue for any displaced/removed meters, or the costs for actual meter removal, new signage, new curb painting, etc. Currently, meter placement, meter purchases, rates/hours of operation are decisions made jointly by the affected Community Parking District (CPD) and the City. Meter revenue (net of costs) is split 45/55 between the CPD and City.<sup>6</sup> It should be noted that, according to City Council Policy 100-18, the funds generated by parking meter revenues can be allocated to promoting alternative forms of transportation to reduce parking demand, encourage use of solar-powered parking technology as well as provide for pedestrian comfort and convenience. The Bike Share Program falls under this intended use. The two main groups that would be impacted by this Program would be the Downtown Parking Management Group (DPMG), which is associated with Civic San Diego, and the Uptown Parking District in Mission Hills/Hillcrest. The Transportation Department has initially contacted both groups and will work to ensure necessary information regarding the potential impacts about bikesharing are communicated to the parking districts. Efforts will be made to minimize any removals and, if removals are necessary, to make best efforts on removing the least utilized spaces with input from the community and business owners.

### **Scenario**

A preliminary assessment was conducted with Civic San Diego, City Transportation and DecoBike and used to create the following scenario. This scenario could change based on community input, general grid consideration and City approval.

Assuming 10 or less parking meter removals:

- 5 “smart” single space meters removed
- 5 “older style” single space meters removed

Then:

- (1) Average revenue per smart meter =  $\$2,500 \times 5 = \$12,500$  monthly
- (2) Average revenue per older style meter =  $\$1,700 \times 5 = \$8,500$  monthly
- (3) Removal of 10 paid metered spots =  $\$12,500 + \$8,500 = \$21,000$  monthly

FY14 Impact

- (1) March, April, May and June monthly estimated impact of removal of 10 paid metered spots =  $\$21,000 \times 4 = \$84,000$

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<sup>6</sup> A percentage of the total parking meter revenues (45%), less administrative and parking meter operations costs, are allocated to the parking districts. The City may allocate all or a portion of the 55% of the revenue to a districts on a case by case basis and if they met requirements of council policy 100-18.

## **Revenue Impact**

Currently, the annual revenue received by the Parking Districts is as follows:

Downtown: \$2M

Uptown: \$800-900K

Mid-city: \$90-100K

The annual revenue impact based on above scenario, if accurate, would represent approximately 0.09% of total revenues received from all districts combined.

In addition, the proposed Agreement permits DecoBike to park its maintenance vehicle at metered or unmetered spots while performing maintenance. The proposed Ordinance includes the creation of an exemption from San Diego Municipal Code Chapter 8, Article 2, Division 0, Traffic Movement and Control, and Chapter 8, Article 6, Division 20, Residential Permit Parking Program, to allow DecoBike to use metered or restricted parking spaces when necessary for maintenance at a Bike Share station.

## **Stations and Equipment**

DecoBike is currently finalizing the prototype for the next generation system that the City is slated to receive, including an improved bicycle model and an upgraded station. The station will consist of a self-contained pod/platform system that will be placed over the existing surface (i.e. asphalt, concrete, grass, etc.). Stations are solar powered, use wireless technology, and do not require utility connections. No infrastructure improvements are contemplated for installation of the bikesharing system.

Examples of improvements included in the new system are:

- Upgrades to color touch screen versus traditional keypad.
- RFID reader at each bike dock so users can bypass the kiosk.
- Kiosk dispensed membership key fob (so users don't have to go to a location to pick up keys or wait for keys to be mailed).
- Utilizing a pillar based locking system instead of a rail-based system (makes it easier for pedestrians to walk through a station footprint without having to go around the rail).
- Move from traditional chain drive to shaft drive bikes to reduce bike down time and maintenance.

The initial fleet size and number of stations is based on DecoBike's recommendations and comparable programs in the United States:

Number of Bikes: 1,800-2,200

Number of Stations: 180-220

Number of Bike Docks: 3,240-3,960

The size of the bicycle fleet and the number of stations can be changed by agreement of the parties based upon the site selection process.

## **Marketing**

DecoBike is responsible under the proposed Agreement for formulating and implementing a plan to market the Bike Share Program to residents and visitors. Based on its past experience, DecoBike intends to use a variety of marketing strategies to promote and encourage membership and walk-up rentals for the Program, including public relations, events and promotions, a membership rewards program, smartphone apps, direct mail, social media and email campaigns. In addition, DecoBike will explore cooperative marketing programs with hotels, condominium/HOA associations, retail outlets and conventions, among others. The City will supplement the marketing efforts with public relations support from the Mayor and City Council, information and links on the City's website, video on City TV, and promotion of the Program to employees and visitors.

## **Additional Economic Impact**

DecoBike is estimating a job creation total of approximately 60-70 local hires, real estate transactions (lease or own 10,000 square foot operations facilities), plus 2-3 additional satellite locations.

It is important to note that bikesharing is good for cities in many ways. It delivers all the benefits of bicycling by replacing car trips, helping the environment, decreasing road congestion, and improving the economy, parking, mobility, and traffic safety. In addition, bikesharing has unique advantages. It is more convenient and affordable than bike ownership for many residents; it helps overcome barriers to using a bike in a city, such as theft and storage; it generates revenue for municipalities and private companies; it creates new jobs; it motivates cities to improve bike infrastructure; it both connects to and relieves pressure on transit; it provides branding for a city; and it introduces new audiences to bicycling.

The Bike Share stations could increase the parking capacity of the street substantially by removing 1 to 2 auto parking spaces and replacing them with a bikesharing station. With average persons per vehicle steadily declining, as individuals increasingly replace car trips with bike trips, the stations could help alleviate total on-street auto parking congestion. Offering safe and convenient amenities for bicyclists increases the likelihood that individuals will choose to bike to a restaurant, bar, or boutique; saving driving for the trips that require it.

## **Implementation and Timeline**

The Program will be implemented in phases, based on a schedule to be developed after community and city input, site visits and general grid configuration. Consideration of other bicycle related programs and enhancements will also be taken into account. The proposed timeline on Attachment D is based and contingent on meeting each milestone.

## Revenue Share

DecoBike has agreed to pay the City a Marketing Rights Fee consisting of a 15% commission, less any credits due on the total gross revenue from advertising,<sup>7</sup> and an 8% commission, less any credits due, on net profit of membership/rentals. Membership/rental commissions will commence upon annual cost recovery of average \$2,500 revenue grossed per bike. If revenues per bike exceed \$3,500 annually, the 8% commission will increase to a 10% commission.

For the first year of operation, DecoBike shall pay City a guaranteed commission of \$25,000, less any credits due, in one lump sum, on the date of the Phase I Operational Rollout.

### Contract Years 2 through 10 —Minimum Guaranteed Payment.

For the second through tenth years of operation, DecoBike shall pay City the greater of the combined Sales and Advertising Commissions, less any credits due, or the Minimum Guaranteed Payment (MGP) specified below and adjusted for the size of the fleet.

Year:	Minimum Guaranteed Payment: <sup>8</sup>	Projected Revenue:
2	\$50,000.00	\$236,400
3	\$100,000.00	\$260,800
4	\$100,000.00	\$278,000
5	\$125,000.00	\$291,600
6	\$125,000.00	\$305,200
7	\$150,000.00	\$315,200
8	\$150,000.00	\$325,200
9	\$150,000.00	\$335,200
10	\$175,000.00	\$335,200
TOTAL	\$1,050,000.00	\$2,682,800

The above-stated MGP assumes and is contingent upon the deployment and operation of 1,800 bikes in the Program (equaling a 100% deployment of bikes). In the event that less than 1,800 bikes are operating during a specific calendar year, the MGP shall be reduced proportionally by the number of bikes falling below the 100% deployment of 1,800. Conversely, if the number of bikes deployed exceeds 1,800, the MGP shall be increased proportionally. Credits will not exceed 50% of total MGP.

## Liability

DecoBike will maintain insurance coverage for the operation of the Bikesharing Program. This will include liability insurance, auto and workers compensation insurance. DecoBike will name the City of San Diego as an additional insured on policies and indemnify the City for any claims, losses or damages suffered by third parties.

<sup>7</sup> Advertising revenue excludes system sponsorship.

<sup>8</sup> Does not include deductions for potential credits



## **Conclusion**

By utilizing the City's Corporate Partnership Program, in cooperation with the Transportation Division, the City has negotiated a partnership with the selected partner, DecoBike. The proposed Corporate Partnership Agreement between the City and DecoBike will provide the City of San Diego residents and visitors with a privately funded public Bike Share Program valued at approximately \$7.2 million, with DecoBike investing, developing, installing, marketing, operating and maintaining the Program. Upon Agreement acceptance, DecoBike will be the "Official Bike Share Provider" of the City of San Diego.

The Bike Share Program will be sustained through funds generated by user and membership fees and the sale of advertising. The limited and controlled advertising proposed as part of the program requires an exemption from the City's existing sign regulations and is consistent with and supports the objectives of those restrictions as part of a Program that will result in fewer vehicle trips, reduced traffic and parking congestion, and reduced noise and air pollution. The exemption is included in the proposed Ordinance approving the Agreement.

The City could experience potential loss of revenue from removal of metered parking spaces but an exact cost is unknown until site selection has occurred. Current estimates put this loss at 0.09% or less of total revenues received by the parking districts based on a total scenario of 10 metered spaces being utilized for stations. Parking Meter Revenue can be allocated to uses such as promoting alternative forms of transportation to reduce parking demand, encourage use of solar-powered parking technology as well as provide for pedestrian comfort and convenience. The solar operated bikesharing system is an alternative and convenient form of transportation.

## **FISCAL CONSIDERATIONS:**

The overall fiscal impact depends on total revenue received, but current estimations indicate that the Program could provide anywhere from \$1 million to \$2.6 million over the ten year period, less any credits due. This does not reflect any potential parking revenue losses, which could range from averages of \$1,700 to \$2,500 per space, monthly, depending on location. Advertising revenue share will be deposited in the Transportation Division's budget for reinvestment back into bicycle programs. Membership or walk-up rentals revenue share will be deposited into the General Fund.


The term of the Corporate Partnership Agreement is ten years with two five year renewal options.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: This item was unanimously approved at the Land Use and Housing Committee meeting on June 19, 2013 and forwarded to full Council.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Communication of the proposed program is underway, with outreach having been conducted to multiple community organizations, associations, business districts and parking districts. To date, presentations have been made to the Parking Advisory Board, Civic San Diego and the Downtown Parking Management Group, with Civic SD and DPMG voting unanimously to support the bike share concept.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Bicycle Program Fund, General Fund and services for residents and visitors. Potential impact to passenger loading zones, parking spaces and parking metered revenue affecting City Parking Districts.

  
Natasha Collura  
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Greg Bych  
Interim Chief Financial Officer

Attachments:

- A. DecoBike Corporate Partnership Agreement Draft
- B. Community Outreach Letter
- C. DecoBike Proposed Timeline
- D. Bike Share References and Articles