

Municipal car park sector

Over the last few years, in most Polish cities the number of cars has increased considerably. In Warsaw, Gdańsk, Poznań, Wrocław and Kraków, this has given rise to a serious road congestion problem. An offshoot of this has been the introduction by the largest Polish cities of inner-city paid parking zones and park&ride services. In recent years, all the major cities in Poland have adopted new municipal parking policies which envisage the construction, in co-operation with private investors, of multi-storey car parks in the central parts of the cities. The preparation of the majority of these projects is already at a relatively advanced stage. They will probably all use moving grate technology.

The market potential

It is estimated that the total value of investment outlays necessary for the construction of multi-storey car parks currently being planned by Poland's largest cities (Warsaw, Gdańsk, Poznań, Kraków, Katowice and Szczecin) will reach approx. PLN 850 million (approx. EUR 210 million).

This amount will increase by the value of more than a dozen smaller projects planned by medium-sized Polish cities such as Bydgoszcz, Kielce, Olsztyn, Płock, Koszalin, Rybnik, Chorzów, Piotrków Trybunalski, and Skarżysko-Kamienna (approx. PLN 300-350 million, EUR 75-85 million).

All of these projects are planned to be implemented under the public-private partnership scheme (PPP). Consequently, it seems that the car park sector in Poland has the potential to generate, within the next 2- 3 years, a considerable pipeline of PPP projects.

Together with the implementation of the first of those projects, a secondary market will undoubtedly appear in Poland on which an active role will be played by investors looking for infrastructure assets during the operating phase.

Past projects

At present, paid multi-storey car parks in the largest Polish cities are, for the most part, car parks which are located next to office buildings and shopping centres.

The main players on this market are Apcoa, Interparking Group and EuroPark.

Over the last few years, municipal authorities have become active as public sponsors directly involved in creating parking infrastructure. According to publicly available data, between 2009 and 2012 Polish cities brought 4 car park projects to the construction phase, all of them with the participation of private investors. Basic information on these

projects is presented in the table on the next page.

Projects structures

- **Model with an availability fee:** The demand risk is borne by the public sponsor.
- **Concession model:** The public sponsor makes no payments to the concessionaire and the full demand-related risk is borne by the concessionaire.
- **Hybrid model:** The public sponsor subsidises the project during the construction and/or operational phase in order to lower the fees paid by the end users, and therefore lowers the demand-related risk, or in order to improve the financial indices of the project as design-and-build projects or as PPPs.

Item	Public sponsor	Private investor	Value (gross)	Remuneration	Size of the car park /Term of the concession
1	City of Kraków (Plac Na Groblach)	Ascan Empresa Constructora Y De Gestion	Approx. PLN 63 million	Fees from users	600 spaces/70 years
2	City of Poznań (Plac Wolności)	Eiffage Parking – Mitex – AutoPark Poznan	Approx. PLN 37 million	Fees from users. The City liquidated 450 parking spaces in the vicinity of the car park.	540 spaces/39 years
3	City of Wrocław (Hala Stulecia)	Budimex	Approx. PLN 62 million	Fees from users (most probably also an undertaking by the City to rent parking spaces from the operator)	800 spaces/30 years
4	City of Wrocław (Plac Nowy Targ)	Entities from the Mota-Engil group	Approx. PLN 39 million	Fees from users and a subsidy from the City in the amount of PLN 15 million after the completion of the construction phase	334 spaces/40 years

Between 2009 and 2012, several projects in the car park sector in Poland were announced and subsequently cancelled because of a lack of positive market response (PPP car park projects in Gdańsk, Kraków, Katowice, Poznań and Bydgoszcz).

In principle, these projects were announced by public sponsors without carrying out standard market soundings, preparation of necessary economic analyses (e.g. willingness-to-pay reports, demand risk analyses) and identification of sources of private investors' financing.

All of the car park projects announced and cancelled to date have been carried out as public works concession projects, not providing for any payments to the concessionaire from public sponsors.

The lack of knowledge on how private investors structure and finance car park PPP projects is still a major problem for public sponsors. However, in at least several cities, the project teams have drawn the correct conclusions from the flaws in earlier projects. A good example

of a city which, in cooperation with private investors, successfully worked out solutions securing debt financing for projects is Wrocław.

Projects in progress

Bielsko-Biała

Currently, a public works concession project in Bielsko-Biała, initiated at the beginning of 2012, is pending. The project involves the construction by private investor of up to 4 multi-storey car parks with a total capacity of approx. 1,520 parking spaces and a net value of up to PLN 126 million (approx. EUR 30 million) as well as the creation, equipping and management by the investor of a paid parking zone with up to 5,000 parking spaces.

The private partner will not be entitled to receive any cash payments from the city of Bielsko-Biała in exchange for its services; its sole remuneration will be the right to operate and use the car park for commercial purposes.

Pol-Aqua, Mostostal Warszawa and Mota Engil are taking part in the process. At present, the penultimate round of negotiations between the city of Bielsko-Biała and the participants is being conducted.

Kraków

The city of Kraków is conducting proceedings, initiated in 2012, regarding the selection of a private partner for a PPP project entailing the construction and maintenance of a car park at Biskupi Square (with a total capacity of approx. 300 parking spaces, and a gross value of up to PLN 41.5 million (approx. EUR 10 million)).

The private partner's remuneration will be the right to operate and use the car park for commercial purposes. However, the city of Kraków also envisaged the possibility of subsidizing the private partner during the construction and operating phase of the project. It is a solution for which there was no precedent on the Polish market.

Artfin Inwestycje, Pol-Aqua, Budimex B oraz Mota Engil Parking 2 are taking part in the process. At present, negotiations are being conducted between the city of Kraków and the participants.

Warszawa

In October 2012, Warsaw, Poland's wealthiest city (with long-term forecasts indicating that the level of car traffic will stabilise at a high level) announced a public works concession project for the construction of up to 6 car parks with an estimated 3,500 parking spaces.

The value of the car parks which are to be built and financed is estimated at PLN 400 million (approx. EUR 95 million). In terms of the estimated investment outlays, it will be the largest PPP car park project in Poland.

The city of Warsaw decided to carry out the project under the public works concession scheme.

The project announcement specifies that the city intends to grant the concessionaire a cash subsidy only with respect to the settlement of the construction costs incurred on the reconstruction of the road surface of ul. Emilii Plater, where one of the car parks is to be located.

The provisions of the announcement regarding subsidies are not crystal clear. It cannot be ruled out that in the future the city of Warsaw will revisit them if the city's commitment to subsidise the project during its construction and/or operation phase will be required by lenders to secure the project's bankability.

The deadline for submitting applications for admission to the proceedings expired

on 7 January 2013. Applications were submitted by Immo Park Warszawa sp. z o.o. (a subsidiary of Mota-Engil), VIA Motorway sp. z o.o. (Vinci), Kronia sp. z o.o. (a subsidiary of the engineering company KS and Value One), Mostostal Concession sp. z o.o. (Acciona), Nuvola Investments sp. z o.o. (Karmar) and Strabag Drogi Wojewódzkie sp. z o.o.

The future will tell whether the concessionaires (and their lenders) are ready to accept the entire demand risk in the project, or the city will have to seek a flexible interpretation of the wording on subsidies contained in the announcement.

Bydgoszcz

On 19 December 2012, the city of Bydgoszcz again announced a public works concession project for the construction of a car park on ul. Grudziądzka. The first project regarding this location was cancelled. The car park is to have between 300 and 650 parking spaces. The city estimates the cost of construction of the car park at PLN 23 million (approx. EUR 5.75 million). The source of the investor's remuneration is to be the fees from the car park's users and commercial operation of the car park.

To support the project, the city declared its willingness to use part of the space inside or outside the car park as advertising space and agreed to the rental of some of the parking spaces to a specific entity that would use them on an exclusive basis. This seems to echo the solutions adopted by Wrocław in one of its car park projects.

Bydgoszcz agreed to limit the paid parking zone in the Old Town (where the new car park is going to be located).

The deadline for the submission of applications to be admitted to the proceedings expired on 29 January 2013. Bydgoszcz has not yet revealed information on the private investors that decided to submit the applications.

Why were many projects in the car park sector unsuccessful?

- There were hastily announced, unprepared and not preceded by the necessary analyses.
- Public sponsors lacked knowledge of the typical risks associated with the implementation of long-term agreements concerning the construction and maintenance of multi-storey car parks.
- Public sponsors were not aware of the challenges related to the procuring of debt financing for PPP car park projects.

All eyes on Gdańsk

- The Gdańsk project, if successful, should strengthen a new trend in the car park sector in Poland.
- The city of Gdańsk has agreed to subsidise the project during the operating phase.
- The concessionaire will be able to manage the paid parking zone in the very centre of the city.

The Gdańsk project

It seems that the project announced at the end of December 2012 by Gdańsk may reinforce a new standard on the market.

The project concerns a maximum of 4 car parks with a total number of approx. 1,700 parking spaces. The city of Gdańsk has estimated the value of the investment outlays related to the construction at PLN 180 million (approx. EUR 45 million).

The Gdansk project is to be implemented according to the public works concession model (the majority of the economic risks associated with the project will therefore remain with the private investor). However, in the project's announcement, Gdańsk expressly allows for the possibility of subsidizing the investor during the operating phase of the project.

The solutions adopted by large municipalities in their PPP projects are analysed and often copied by other smaller cities. Consequently, the Gdańsk project, supporting the precedent set by Kraków (the car park at Biskupi Square), should make it easier for other municipalities to approve co-financing of

parking projects during their operational phase.

That, in turn, will have a beneficial effect on the possibility of obtaining financing for parking projects on attractive terms

Prospects for the market

The Polish market is currently the place to be for the biggest European players active in the car park sector.

At present, 15 Polish cities have announced car park PPP projects or declared they plan to implement these projects soon. Apparently, Poznań, Łódź and Katowice are due to announce their car park projects shortly.

Two important municipal projects have been announced (Warsaw and Gdańsk). In the Gdańsk project, the public sponsor has declared its willingness to support the project financially during the operation phase.

The decisions made by Gdańsk and Kraków seem to confirm that public sponsors are becoming increasingly aware that in parking projects there is a demand-related risk which the partners should appropriately manage and allocate between them.

Last but not least, the Polish banking sector remains to be in a good shape. Polish banks have declared that they are very interested in financing car park projects.

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