



City of Palo Alto

City Council Staff Report

(ID # 6997)

Report Type: Action Items

Meeting Date: 10/4/2016

Summary Title: Provide Direction for Citywide Bike Share System

Title: Review Options and Provide Direction for Citywide Bike Share System Operated by Motivate, LLC and Finding That the Project is Exempt From Review Under Sections 15061(b) (3) and 15303 of the California Environmental Quality Act Guidelines

From: City Manager

Lead Department: Planning and Community Environment

Recommendation:

Staff recommends that the City Council direct staff to return to the City Council with a contract to implement a 350-bicycle, Social Bicycles (SoBi) smart-bike system, operated by Motivate, LLC as part of the Bay Area Bike Share System (BABS), and structured to allow for the participation of other Peninsula cities and private entities. Staff also recommends Council find the project exempt from review under Sections 15061(b) (3) and 15303 of the California Environmental Quality Act Guidelines.

Executive Summary:

The City's first experiment with a bike share program, implemented as part of a regional pilot program, has not yielded the desired ridership numbers, due in large part to the low quantity of bicycles and stations included in the initial system. Together with other cities on the Peninsula, Palo Alto has been assessing opportunities to deploy a new, broader program, with a greater potential for significant ridership using GPS enabled smart-bikes from SoBi. After a concerted effort by Peninsula communities to move forward with an interoperable smart-bike system, Motivate, LLC has agreed to operate SoBi equipment on the Peninsula as part of the regional BABS system. Staff is seeking Council direction to negotiate an agreement with Motivate for a bike share program using SoBi equipment to replace the current system and launch in June 2017. All new bike share equipment would be purchased by the City and ongoing operational costs would be covered by Motivate for the term of the agreement. The total cost to the City for capital equipment and installation is \$1,160,803. The rollout of a citywide bike share program is anticipated to require .5 to 1 new full-time employee not anticipated in the fiscal year 2017 budget.

Background:

The Metropolitan Transportation Commission (MTC) and Motivate, LLC entered into an agreement on December 31, 2015 that included a large scale expansion of the Bay Area Bike Share system from 700 bikes to 7,055 bikes. Peninsula communities that participated in the pilot program were not included in the privately funded expansion underway in San Francisco, San Jose, Oakland, Emeryville, and Berkeley. Palo Alto, Mountain View and Redwood City were offered the ability to buy into the regional system by purchasing capital equipment, funding ongoing operations, with minimal station-based advertising as the only mechanism to offset ongoing operational fees.

At a study session on April 25, 2016, Council discussed bike share in the Peninsula and the findings of a bike share strategic plan written by Toole Design Group on behalf of SamTrans. The staff report (Attachment A) summarized the performance of the Motivate pilot on the Peninsula and analyzed the cost to expand the current system, versus replacing it with a SoBi smart-bike system. The report concluded that GPS-enabled smart-bikes are more cost effective for Peninsula cities and more appropriate for land use patterns on the Peninsula as bikes are not constrained by fixed dock locations.

Point-to-point, dock style bike share systems are better suited to high-density areas where stations are located close together. The National Association of City Transportation Officials (NACTO) recommends that bike share stations be located within a three- to five- minute walk of each other. Outside of downtown Palo Alto and the California Avenue business district, this type of station density would be infeasible in Palo Alto. The verbatim minutes from this Council study session are included as Attachment B. On June 20, 2016, the Council approved a Program Agreement to enable the existing Motivate, LLC-operated bike share system to remain in place through November 30, 2016 (Attachment C).

Following the April 25, 2016 study session, staff pursued development of a term sheet with SoBi to replace the City's existing 37-bike system with a fleet of 350 GPS-enabled smart-bikes with approximately 35 hubs located citywide. Since May 2016, staff has been participating in regional discussions with neighboring Peninsula communities in an effort to ensure coordination of an interoperable smart-bike system for the Peninsula.

While Motivate was initially reluctant to operate SoBi smart-bikes as part of the regional bike share system, as it became clear that Peninsula communities were moving towards a sub-regional system, and as Motivate had a favorable experience with SoBi equipment in its Portland system, the company reconsidered its position. The Managers' Mobility Partnership held various meetings to convene staff and City Managers from Menlo Park, Mountain View, Palo Alto and Redwood City to align on bike share and negotiate with Motivate as one entity.

Motivate has offered to fully fund the operating costs of a 350 bike SoBi system in Palo Alto. Under the terms of this new proposal, the City would be responsible for up-front capital costs for bicycles and hub equipment provided by SoBi (\$1,160,803) (Attachment F) and Motivate

would operate a 350 bike system for the life of the contract. Motivate has agreed to operate SoBi equipment on the Peninsula and will allow neighboring communities to participate under similar terms (Attachment E). Like Palo Alto, neighboring communities would be responsible for capital and installation costs. However, Motivate has committed to two potential funding scenarios to address operating costs in neighboring Peninsula communities. The first scenario is to fully fund up to 350 bikes in each community based on support from the title sponsor, recently announced to be the Ford Motor Company. Motivate has committed to making a decision on this option by October 31, 2016. If Motivate does not fund operations of other Peninsula systems, it has committed to allocating nearly all sponsorship assets to offset operations costs to Peninsula cities (Attachment E). Sponsorship assets include the bicycle, bike basket panels, hub equipment, skirt guard and signage at hub locations. The second option would require a \$100 per bike monthly operating fee paid by Peninsula cities.

Discussion:

A Motivate-operated SoBi system would require City funding for upfront capital costs such as bicycles hub equipment, and installation costs. Total capital costs for a 350-bike system are \$1,160,803. Of this total capital cost, \$171,429 would be covered by a TFCA grant through the Santa Clara Valley Transportation Authority. The City would not be responsible for operational costs, as Motivate, LLC is offering to cover operational costs for up to 350 bicycles for the life of the contract. A second phase, envisioned for 2018, would add an additional 350 bikes to the system using MTC funding to cover 88.53% of the capital costs. The City would then begin to pay \$420,000 per year in ongoing operating fees for the additional 350 bicycles.

Term Sheet:

If directed by Council to enter negotiations with Motivate for an expansion of a new SoBi bike share program, staff will return to City Council in December 2016 with a contract. A six- to seven-month period to launch the bike share system is anticipated from the time of equipment purchase. The launch process would include a public outreach campaign, a suggest-a-hub website, discussions with private property owners, and acquisition of encroachment permits. Existing bike share equipment will remain in place to prevent a gap in service, while moving forward with a full-scale replacement system.

Table 1. Estimated Launch Timeline

<i>October – December 2016:</i>	Negotiation with Vendor & Contract Approval
<i>December/January 2016:</i>	Purchase Order for Bicycles & Hub Equipment
<i>February 2017:</i>	Station Siting Website & Public Outreach
<i>May 2017:</i>	Equipment Testing & Demonstration Hub
<i>June 2017:</i>	Bike Share Launch
<i>Ongoing:</i>	Coordination with Private Entities
<i>Ongoing:</i>	Coordination with Peninsula Communities & MTC
<i>2018 (Upon Grant Award):</i>	Implementation of Phase II

Source: Palo Alto Planning & Community Environment, September 2016

Proposed System:

The proposed initial system would include 350 smart-bikes distributed at approximately 35 hubs throughout the City. Operations and maintenance would be conducted by Motivate, LLC. Motivate would be responsible for day-to-day operations of the program, which includes repositioning the bikes between hubs, repairs, and maintenance of the bikes. SoBi would be in charge of the web- and application-based membership and reservation system and the revenue collection and remittance. The title sponsor of Bay Area Bike Share, now to be known as Ford GoBike, will likely require a high level of customer service, system utilization and maintenance.

Private entities such as Facebook, Google, Stanford University Medical Center, and Stanford Research Park have all expressed an interest in hosting bike share hubs for their employees. Stanford University, a Platinum-level Bicycle Friendly University as designated by the League of American Bicyclists, would be an ideal location for bike share if the university is amenable.

The following factors indicate the potential for a successful bike share program in Palo Alto:

1. The City has a high-quality network of bicycle facilities throughout the City, earning it a Gold-level Bicycle Friendly Community designation from the League of American Bicyclists.
2. Palo Alto has an 8.7% bicycle mode share for daily local trips, among the highest in the nation.
3. The City has committed more than \$25 million over the next five years to advance significant bicycle and pedestrian infrastructure projects.
4. The City is a major jobs center, with a population that grows from 64,403 to over 150,000 daily.
5. The City has a well-established bicycle culture, with five bicycle shops within the community.

Based on the factors listed above, a utilization rate of one trip per-bicycle per-day has been identified as a target goal for the Palo Alto bike share program. This goal will give the City a benchmark to measure success of the program. The City will leverage the data provided to make adjustments to hub locations, number of bicycles available, bicycle parking and bicycle facilities to improve ridership in order to reach this goal. The existing bike share program utilization rate is 0.17 trips per bicycle, per day. Staff believes this is due to an inadequate number of bicycles and hubs resulting in a small coverage area with a low hub density. The selected vendor will report to Council semi-annually with an update on system performance and utilization.

Table 2. Capital Cost Estimate

Item	Quantity	Price Per Unit	Total
Smart Bicycle	350	\$1,705	\$596,750

Hub (station)	35	\$9,515	\$333,025
Program Setup, Shipping	N/A	N/A	\$91,028
Station Installation Fee	35	\$4,000	\$140,000
<i>Total Capital Costs:</i>			<i>\$1,160,803</i>

Fiscal considerations not included in the table above include:

1. Funding of a City staff position (or a portion of) dedicated to monitoring bike share program;
2. Replacement of stolen, vandalized, or damaged equipment as necessary;
3. Minor work such as pavement markings, concrete work, parklets, bollards, etc., which may be necessary or desirable at popular bike share hubs.
4. Operating costs when the system expands beyond 350 bicycles.

Vendor/Operator Selection Process

The City of Santa Monica went through an extensive, federally compliant, procurement process that included neighboring jurisdictions to select SoBi equipment for a sub-regional bike share system which was approved by the Santa Monica City Council in 2014. Given the comprehensive review process and similar equipment qualities desired in Palo Alto, staff believes that a new procurement process is unnecessary as it would yield identical results. Palo Alto's municipal code allows for sole source awards in section 2.30.360, *Exemptions from competitive solicitation requirements*.

Electric Bicycles:

Staff has also been approached by the manufacturer of a solar-powered electric bicycle and personal mobility device charging system called Swift Mile, based in San Mateo. Electric bicycles show promise to increase bike share use, particularly in peripheral areas of Palo Alto and also where topography is not well-suited to bike share use. However, Swift Mile's equipment has not been comprehensively tested and may benefit from further testing and development. Staff has been in communication with Swift Mile regarding a potential small scale demonstration project that could connect Stanford Research Park employees to the Caltrain California Avenue Station. SoBi has also been developing a new e-bike option that will be fully compatible with its system and is currently undergoing product testing.

Fare Structure:

The Motivate fare has been established in the *MTC Agreement with Motivate, LLC* (Attachment C) and is \$9 per day for unlimited 30 minute rides, \$22 for a three day pass, and \$149 for an annual pass. A \$3 out-of-hub fee is charged to users who lock bicycles to bike racks outside of designated hub areas. Hubs are areas where bike share parking occurs, and a geo-fence may be

created around a hub's perimeter to enable locking to additional bike racks within a hub with no penalty. Users that pick up a bike from an out-of-hub area and return it to a hub location receive a \$3 credit to their account. This incentive helps to rebalance the system and reduces the need for motor vehicle use in daily operations. Some cities have elected to designate entire intersections as hub areas, allowing bike share users to lock bicycles at hubs or public bicycle racks without an added fee. Other jurisdictions have designated entire downtown business districts as a hub, eliminating the out of hub fee for that area.

Regional Bike Share Interoperability:

A Motivate operated bike share expansion would be fully integrated with the regional Bay Area Bike Share system; however, it would not be immediately compatible with the City of San Mateo's *Bay Bikes* system. Motivate and SoBi may be able to establish membership reciprocity to enable customers to use both systems until San Mateo joins the regional system.

Bay Area Bike Share Program Agreement:

The Bay Area Bike Share system is administered by the Metropolitan Transportation Commission (MTC), and operated by Motivate, LLC. A Program Agreement was entered between Bay Area Motivate, LLC and the MTC on December 31, 2015. The City of San Francisco, City of Berkeley, City of Oakland, City of Emeryville, and City of San Jose all have Continuation Agreements that tier off of the overarching master Program Agreement that contain details of each system. Palo Alto currently has a Program Agreement with Motivate for the existing system, which expires on November 31, 2016. Staff will return to City Council in the fall with a clean agreement that contains terms for a SoBi Peninsula system including a "me-too" clause for neighboring communities with similar terms and pricing. The new agreement will be completely separate from the MTC Program Agreement. This will enable the City to enter a five year agreement, with two, three-year extensions in place of the MTC's ten year existing agreement. The MTC has also suggested that Peninsula communities enter separate agreements due to the complexity of the existing MTC Program Agreement (Attachment D).

Policy Implications:

Development of an expanded bike share system is consistent with the following *Comprehensive Plan* and *Bicycle + Pedestrian Transportation Plan* goals, policies and projects:

Comprehensive Plan:

- Goal T-1: Less Reliance on Single-Occupant Vehicles
- Policy T-3: Support the development and expansion of comprehensive, effective programs to reduce auto use at both local and regional levels.

Bicycle + Pedestrian Transportation Plan:

- PR-5 Bike Share Program

Bike share is consistent with goals outlined in the draft Sustainability and Climate Action Plan (SCAP) and has emerged as an important area of regional collaboration. Bike share was

discussed at recent meetings of the City Manager's Mobility Partnership (MMP), which includes Stanford University, the City of Menlo Park, the City of Mountain View, the City of Palo Alto, the City of Redwood City and Joint Ventures Silicon Valley. This has successfully aligned positions on bike share and enabled Palo Alto to negotiate with Motivate of behalf of the Peninsula.

Resource Impact:

Funding is available for the first year in the Fiscal Year 2017 Adopted Capital Budget for the bike share program capital costs, operational costs, and local match to the MTC bike share capital grant in CIP PL-04010, Bicycle + Pedestrian Transportation Plan Implementation. Bike share is in the planned budget for subsequent years, however, if Council chooses to expand beyond the 350 bikes currently recommended in this report, additional operating budget of approximately \$420,000 per year will be needed. A one-time local match of \$114,820 for the MTC grant would also be needed, as discussed below. The total up front capital costs for a 350-bike, Motivate/SoBi bike share system is \$1,160,803 and includes 350 bicycles, hubs (stations), program setup, and other associated costs. This estimate does not include minor costs to replace stolen, vandalized, or damaged equipment; minor work such as pavement markings, concrete work, parklets, bollards, etc., which may be necessary at some bike share hubs, estimated to be less than \$60,000. Sufficient funding is available in CIP PL-04010 to cover these costs, as estimated.

Operations & Maintenance:

Motivate will be providing free operations and maintenance for up to 350 bicycles in Palo Alto. When the bike share system grows beyond 350 bicycles, the City will reimburse Motivate at a rate of \$100 per bicycle, per month for operational costs. At the projected buildout of 700 bikes, the City would be responsible for \$420,000 in operating costs annually. These operating costs are not included in the FY 2017 Adopted Operating Budget and expansion from 350 to 700 bikes would require a subsequent action by the City Council if desired after the initial phase.

Staff Resources:

A large, citywide bike share system will likely need 0.5 to 1.0 new full-time employee at a cost of approximately \$100,000 to \$200,000 per year as the bike share program grows in size. A bike share system operates similar to a public transit system and a staff position would oversee daily operations, system planning, management of the Motivate contract, grant procurement and management, coordination with private entities participating in the system, and reporting to Council on bike share system performance.

Grant Funding:

Staff has submitted a Letter of Interest to the Metropolitan Transportation Commission (MTC) Capital Bike Share funding requesting \$1,001,050 for a second phase of the system to launch in 2018 with up to 350 additional bikes. The MTC Capital Bike Share grant has an 11.47% local match requirement, which would be \$114,820. The City has also been awarded \$171,429 in

TFCA funds with a local match of \$740,000, for use on bike share expansion in Palo Alto. TFCA grant funds can be used to offset the initial capital costs of bike share, and MTC funds can be used to expand the bike share system in phase two of deployment. Following direction from Council on bike share, staff will process the funding agreement to enable the allocation of TFCA funds in anticipation of submitting a purchase order for smart-bikes and station equipment, which has a manufacturing lead time of up to six months.

Environmental Review:

The proposed bike share project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b) (3) because it can be seen with certainty that the project will have no significant effect on the environment. In addition, the project is exempt under Section 15303, which provides a specific exemption for the construction and location of limited numbers of new small facilities or structures. The prevalence of bike share in Palo Alto is expected to improve, rather than detract from environmental conditions, offering an alternative to automobile transport for those who are able to make use of the system. The only physical footprint of the project would consist of the assembly of bike hubs, the majority of which will require little or no physical construction.

Attachments:

- Attachment A - City Manager Report 6324 Mid-Peninsula Bike Share Study Session April 25, 2016 (PDF)
- Attachment B - City Council Meeting Transcript April 25, 2016 (PDF)
- Attachment C - City of Palo Alto and Motivate, LLC Program Agreement (PDF)
- Attachment D - MTC and Motivate, LLC Bay Area Bike Share Agreement (PDF)
- Attachment E - New Motivate Term Sheet with SoBi Bikes (PDF)
- Attachment F - Social Bicycles Equipment Cost Proposal (PDF)
- Attachment G - SoBi Hardware Overview (PDF)

Motivate-Palo Alto Term Sheet

August 22, 2016

This term sheet is intended to be used to facilitate discussions between Palo Alto ("PA") and Motivate International Inc ("Motivate") in order to develop a contract for the operation of a bike share system that is interoperable with the Bay Area System.

Contract Topic	Contract Terms
Responsibility for Capital Costs	The City of Palo Alto will purchase the equipment and provide Motivate with the right to use the equipment for operations of the bike share system. Motivate will be responsible for maintaining and returning the equipment in a state of good repair at the end of the contract term.
System Size	The City of Palo Alto will initially purchase up to 350 smart-bikes for use in the system. Additional expansion phases to be determined in Palo Alto's discretion.
Launch Date	Anticipated launch date Spring 2017, contingent on site approvals, equipment funding and delivery of equipment
Supply Agreement	In order to create a coordinated and accountable supplier relationship, Motivate will hold a supply agreement with Social Bicycles to govern terms such as software fees (which are paid by Motivate), warranties, spare parts purchasing, service level agreements, and customer support.
Term	5-year term with two additional three year renewal terms upon mutual agreement of Palo Alto and Motivate.
Operating Fees	Motivate will cover the operating costs of the first 350 bikes. Additional bikes will be charged to Palo Alto at the cost of \$100 per bike per month, subject to CPI Adjustment.
Sponsorship	Motivate will have the exclusive right to sell title and secondary sponsorship for the system and receive related revenues. Assets that may include sponsorship recognition include the bikes, kiosks, racks, ad panels, mobile app and docks.

Local Station Sponsorships	Palo Alto may fund the costs of capital or operations of expansion bikes through selling local station sponsorships. Sponsors secured by Palo Alto may be recognized on each station by receiving one sponsorship panel on each station that is sponsored locally. Palo Alto may not sell naming rights or the bike branding to station sponsors. These assets will remain consistent with the broader Bay Area system as part of the title sponsorship package, which will help financially support the Palo Alto system and reduce the need for subsidy.
Allocation of Revenue	Motivate will keep all title sponsorship, secondary sponsorship and user revenue generated by the system. Palo Alto will keep all funds raised through local station sponsorships.
Pricing	Annual pricing for the program will match the pricing of the broader program with the MTC and provide access to the bike share program in San Jose, San Francisco, Oakland, Emeryville, and Berkeley : • \$149 annual pass that can be increased no more than CPI + 2% annually. • Annual pass can be paid in 12-monthly installments of no more than \$15.00 • Pricing for other product types (e.g., day passes, single rides) will be set at Motivate's discretion
Siting and installation	Motivate to develop site locations in conjunction and with approval the city. Sites that maximize demand will be prioritized. Motivate will work together with Palo Alto on community engagement and outreach as part of the station siting process, including necessary business associations and city meetings. Motivate will hire planning and engineering firms to develop drawings and submit permits. Palo Alto to waive permit costs.

	Palo Alto will reimburse Motivate \$4,000 per station for the cost to develop site plans, conduct community outreach, and install the station and related street treatments.
Interoperability	Bike share customers will be able to sign up for the Palo Alto and the MTC system through a single registration process. Bike share members will be able to use a single key to access bikes. Motivate will work with the MTC to allow for the Clipper Card to be used to access bikes across the regional system.
Brand Development and Sponsorship	Motivate will secure the title sponsor and develop system name, color, and logo. MTC has approval rights over title sponsorship and branding. The sponsor is not in a category that is age-restricted (alcohol, tobacco or firearms), products banned by the local government, or deemed offensive to the general public.
PCI Compliance	System shall be compliant with the most recent version of the Payment Card Industry Data Security Standard ("PCI-DSS"). Supplier will maintain a full, current, up-to-date Level 2 PCI certification as demonstrated by an Attestation of Compliance.
Exclusivity	During the Term of this Agreement, Motivate shall have the exclusive right to operate a public bike sharing program in Palo Alto, as defined in the executed contract.
Regional Cities Opt-in	Other cities can opt in to join the system on similar terms to Palo Alto. Municipalities must fund the equipment costs. Motivate will determine by October 31, 2016 whether it will retain the right to sell physical sponsorship assets including the bikes, racks, kiosks, and ad panels. If Motivate retains these assets for sale, Motivate will be responsible for operations costs for up to 350 bikes in each municipality. For bikes above 350, the cost to the municipality will be \$100 per bike per month. If Motivate waives its right to sell sponsorship on the physical system, the local municipality can sell sponsorship on the physical system including the bikes, racks, kiosks, and ad panels. The cost for operations to the

	municipality will be \$100 per bike per month. Since the bike share system is interoperable with the broader regional system, naming rights and the mobile app will be branded with the larger system name and are not available for branding by the local municipality.
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