



CITY COUNCIL/DOWNTOWN COMMISSION  
JOINT STUDY SESSION  
AGENDA REPORT

DATE: July 8, 2008

AGENDA OF: July 24, 2008

DEPARTMENT: Public Works

SUBJECT: Cedar/Cathcart Parking Structure and Mixed Use Project - Update and Discussion

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RECOMMENDATION: Receive staff presentation of the Cedar/Cathcart Parking Structure update and provide comment or direction as appropriate.

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BACKGROUND: At the May 6, 2008 Special Joint Study Session of the City Council and the Downtown Commission (DTC), staff was directed to move forward with design development of the garage and to continue to pursue the project. "Pursuing the project" is taking place on other fronts simultaneously, however the focus of this report is the financing of the project at the request of the Commission and approving the project "in concept" at the request of Council.

This report will reiterate the financing considerations previously discussed as well as change some options based on Council direction. In addition to the Joint Study Session, one regular and two special meetings of the DTC, for the purpose of studying the Cedar/Cathcart Garage Financing Task Force (CCGFTF) recommendations and staff input on the options, have already occurred. Minutes from the May 6 Joint Study Session are attached.

DISCUSSION: The RFQ for design services approved by the Commission on June 19 was not approved by the Council at its July 8 meeting. The Council wanted to confirm that the Commission would approve the project in concept prior to Council approval and return of the item to a September Council agenda. In addition, there was discussion about proceeding with public outreach. While staff believes this has been done in past actions, a formal motion to approve the project in concept would be advisable at this time so that the Request for Qualifications (RFQ) for design services can be approved. Drawings of a garage and mixed use project concept that the community can support will be vital to the project moving forward. That would be the only part of the design contract that would be authorized.

#### Financing Plan Options

The primary 2 changes to the alternatives matrix resulting came from direction at the study session are: 1) not selling Lots 8 and 9; and 2) probably not constructing a basement. City Council directed staff to "Base the potential inclusion and depth of a basement level on engineering findings about ground water and staff analysis." These two recent changes require us to look at the financing considerations in a new light. The study session also included discussion of free parking, deficiency fee increase and ED/RDA funding, but no direction was given on amounts. The Economic Development and Redevelopment Agency (ED/RDA) is looking into the ability to participate in the garage costs and Public Works staff will be monitoring the potential for other outside the district funding. Adding to this challenge, the recently adopted FY 2009

budget contains projections of a shortfall in the Parking Fund due to rising personnel services (\$127,000 increase) and potentially lower revenues (\$50,000 less in FY08 over FY07). Some reductions were made in other parts of the operating budget, but that may not be sustainable.

The revised matrix attempts to limit some of the variability and address free parking, deficiency fees, and a possible validation program so that specific financing choices can be compared on an equivalent level. Hopefully this will facilitate decision making. While we have not completely ruled out a basement, it is easier to compare the same project with different funding issues. A summary of three possible financing options is as follows:

| <b>Increased Revenue/Garage Alternatives Matrix</b>         |   |   |   |
|---|---|---|---|
|   | <b>5 Floors and No Basement</b>               |   |   |
|   | No Free Lots<br><br>½ Hr Valid.<br>Structures | No Free Lots<br><br>½ Hr Free<br>Structures | Free Lots<br>½ Hr Free<br>Structures<br>15% Def Fee<br>Increase |
| Hard Costs  | \$15,400,000                                  | \$15,400,000                                | \$15,400,000  |
| 25% soft costs  | \$3,850,000                                   | \$3,850,000                                 | \$3,850,000   |
| Site Costs  | \$1,700,000                                   | \$1,700,000                                 | \$1,700,000   |
| <b>Total Structure Cost</b>                                 | <b>\$20,950,000</b>                           | <b>\$20,950,000</b>                         | <b>\$20,950,000</b>   |
| EDA Grant   | \$0   | \$0   | \$0   |
| Calvary Lot (Lot 5)- 2 Yrs Additional Revenue               | (\$202,277)                                   | (\$202,277)                                 | (\$202,277)   |
| Raise Meter Rates Early- 2 Yrs Add'l Revenue                | (\$886,633)                                   | (\$886,633)                                 | (\$886,633)   |
| Raise Permit Rates Early- 2 Yrs Add'l Revenue               | (\$364,824)                                   | (\$364,824)                                 | (\$364,824)   |
| Raise Garage Rates Early- 2 Yrs Add'l Revenue               | (\$308,426)                                   | (\$308,426)                                 | (\$308,426)   |
| Sale of Residential Property (Cedar St)                     | (\$1,000,000)                                 | (\$1,000,000)                               | (\$1,000,000)   |
| <b>Total Early 2 Year Add'l Revenue</b>                     | <b>(\$2,762,160)</b>                          | <b>(\$2,762,160)</b>                        | <b>(\$2,762,160)</b>  |
| <b>Subtotal to Bond</b>                                     | <b>\$18,187,840</b>                           | <b>\$18,187,840</b>                         | <b>\$18,187,840</b>   |
| Total Bond Issue  | \$21,698,130                                  | \$21,698,130                                | \$21,698,130  |
| <b>Debt Service (5%, 30 year term)</b>                      | <b>\$1,411,494</b>                            | <b>\$1,411,494</b>                          | <b>\$1,411,494</b>  |
| Anticipated Additional Revenue Meters                       | (\$443,316)                                   | (\$443,316)                                 | (\$443,316)   |
| Anticipated Additional Revenue Garages                      | (\$700,671)                                   | (\$700,671)                                 | (\$700,671)   |
| Anticipated Additional Revenue Permits                      | (\$182,412)                                   | (\$182,412)                                 | (\$182,412)   |
| Anticipated Additional Revenue Surface Lots (partially new) | (\$647,357)                                   | (\$647,357)                                 | (\$101,139)   |
| Anticipated Additional Revenue Deficiency Fees 15% (new)    | \$0   | \$0   | (\$152,108)   |
| Cost of 1/2 hour free in structures                         | \$0   | \$180,000                                   | \$180,000   |
| Cost of 1/2 hour validation (new)                           | \$72,000                                      | \$0   | \$0   |
| <b>Total Additional Revenue</b>                             | <b>(\$2,003,161)</b>                          | <b>(\$1,793,756)</b>                        | <b>(\$1,399,646)</b>  |
| <b>Annual Shortfall</b>                                     | <b>(\$591,667)</b>                            | <b>(\$382,262)</b>                          | <b>\$11,848</b>   |

In order to show that the Parking Fund has the revenue source to support the new debt, a minimum of one year's history (preferably 2 years) is required for the bond sale process. A portion of the new revenue will come from conversion of the Cedar/Church structure, the River/Front structure, and the Cathcart/Front lot, to paid facilities and would also be used to reduce the bonding amount. The conversion will require analysis, design, equipment installation, and modifications that will likely take 6-8 months to complete.

A summary of the task force proposed transient rate increases are included in Table 1 and the permit rate increases in Table 2. Transient parking rates downtown are proposed to be 75 cents/hr.; with the exception of the 12 hour meters which would be 50 cents/hr. Implementing the proposed rates would yield approximately \$1,405,000 in additional annual revenue (Meters - \$443,000; Garages – \$701,000; and Surface Lots – \$182,000). This original financing option included keeping the smaller surface lots free. Additional revenue of approximately \$546,000 could be collected with metering these lots (2, 8, 9, 11, 12, 22 and 27) at \$0.75/hr.

The task force also recommended that all garage parking provide the first one-half hour free. The cost of ½ hour free garage parking is estimated to cost \$180,000 annually. Another option to discuss is a different validation program that does not have a cash outlay for businesses, but the cost is absorbed in the overall district finances. A ½ hour free validation program would cost roughly \$72,000. To keep a ½ hour free parking and some free parking downtown, a deficiency fee increase of approximately 15% would be required.

**Table 1. Transient Parking Rate Recommendations**

| Facility  | Current | Proposed | Variables       |
|---|---------|----------|-----------------|
| Cedar/Locust Garage                             | 50c/hr  | 75c/hr   | First<br>½ hour |
| Soquel/Front Garage                             |         |          |                 |
| Cedar/Church Garage                             | free    | 75c/hr   | Free or         |
| River/Front Garage                              |         |          | Validation      |
| Front/Cathcart Lot                              | free    | 75c/hr   |                 |
| Calvary Lot                                     | \$1/day | 75c/hr   |                 |
| Small Surface Lots (new)                        | Free    | 75c/hr   | Or Free         |
| Pacific Ave and “close in” on-street meters     |         |          |                 |
| 20 Minute (12)                                  | 75c/hr  | 75c/hr   |                 |
| 24 Minute (37)                                  | 25c/hr  | 75c/hr   |                 |
| 30 Minute (48)                                  | 50c/hr  | 75c/hr   |                 |
| 1 Hour (39)                                     | 75c/hr  | 75c/hr   |                 |
| 2 Hour (109)                                    | 25c/hr  | 75c/hr   |                 |
| 2 Hour (306)                                    | 50c/hr  | 75c/hr   |                 |
| 2 Hour (51)                                     | 75c/hr  | 75c/hr   |                 |
| Off Pacific Ave and “outlying” on-street meters |         |          |                 |
| 12 Hour (171)                                   | 15c/hr  | 50c/hr   |                 |

**Table 2. Permit Parking Rate Recommendations**

|                     |         |      |           | Current | Proposed |
|---------------------|---------|------|-----------|---------|----------|
|                     | Permits |      |           | Monthly | Monthly  |
| Facility            | Sold    | Cost | Unit      | Equiv.  | Equiv.   |
| Soquel/Front Garage | 500     | \$31 | monthly   | \$31    | \$35     |
| Cedar/Locust Garage | 400     | \$31 | monthly   | \$31    | \$35     |
| Cedar/Church Garage | 96      | \$75 | quarterly | \$25    | \$35     |
| Calvary Lot         | 50      | \$48 | quarterly | \$16    | \$35     |
| River/Front Garage  | 464     | \$48 | quarterly | \$16    | \$35     |
| Laurel St. Ext.     | 6       | \$75 | quarterly | \$25    | \$35     |
| Laurel/Birch        | 3       | \$75 | quarterly | \$25    | \$35     |
| Front/Laurel        | 9       | \$75 | quarterly | \$25    | \$35     |
| Laurel/Front        | 16      | \$75 | quarterly | \$25    | \$35     |
| Meter Permits       | 99      | \$60 | quarterly | \$20    | \$35     |

Outreach Process

Staff is discussing this issue internally and with consultants to determine the best approach. Staff believes outreach will be successful if it can encourage the business community leadership to take an active role in the garage approval process. Clearly this is tied very closely to an approvable financing plan. That will be our primary focus in the near future and we will update the Commission at the meeting on our progress.

Mixed Use Development

Staff has been working with ED/RDA on the appropriate method to move forward on the mixed use portion of the project. We have met with San Jose RDA staff to solicit input on possible approaches. While they have not developed a project specific to our situation, they do have a broad range of experience. Suggestions such as working with a developer to construct a turn key project, contacting a senior housing organization and exploring investment groups will be considered.

Farmers Market and Toadal Fitness Relocation

There is nothing new to report at this time. The Farmers Market relocation may be tied more closely to the concept of a senior housing mixed use project in exchange for commitments on relocating the Farmers Market to the Calvary parking lot.

Submitted by:

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Attachments:

- ~ May 6, 2008 Joint City Council /DTC Study Session
- Downtown Commission Minutes
- City Clerk Minutes