CITY OF SALINAS
COUNCIL STAFF REPORT

DATE: **FEBRUARY 19, 2019**

DEPARTMENT: **PUBLIC WORKS DEPARTMENT**

FROM: **DAVID JACOBS, PUBLIC WORKS DIRECTOR**

BY: **JAMES SERRANO, TRANSPORTATION MANAGER**

TITLE: **DOWNTOWN PARKING DISTRICT PARKING RATE INCREASE**

RECOMMENDED MOTION:

A motion to approve a Resolution approving the proposed parking rate increase for existing paid parking programs within the Downtown Parking District through 2021.

RECOMMENDATION:

It is recommended that the City Council approve a Resolution increasing parking fees for existing paid parking programs within the Downtown Parking District through 2021.

EXECUTIVE SUMMARY:

On August 7, 2018, the Council received a proposal from staff to raise parking rates in the Downtown Parking District. Upon hearing concerns from some downtown employers and representatives regarding the rates, Council tabled the item and desired a meeting with affected parties and for staff to bring back alternative recommendations.

BACKGROUND:

The City operates parking garages and parking lots within the downtown parking district that offer convenient parking for both customers and those who work downtown. The City currently provides short-term on-street parking at no cost to downtown visitors. Ninety-minute parking is available along the Main Street corridor and nearby. Similarly, the City also offer free parking with 2-hour time restrictions at city-operated parking lots. The time restrictions help encourage turnover so that downtown customers can avail themselves of services and goods downtown.

For those who need longer-term parking, the City also has a variety of paid parking programs that meet this need. Downtown employers, employees, and visitors who need to park for a longer term may purchase hourly parking time at the Monterey Street Parking Garage or purchase monthly parking permits at the lots below.

Monterey Street Parking Garage

At the Monterey Street Parking garage, guests may pay for parking at an hourly rate if they wish to stay in downtown without parking time restrictions. This is ideal for guests attending conferences or workshops hosted in downtown, along with downtown business patrons that want to stay for longer than 90 minutes or 2-hours. They can park at a covered garage with an operating staff that can provide information on destinations and locations in downtown.

The Monterey Street Parking Garage is located at the 100 Block of Main Street, next to CSUMB @ Salinas City Center, and has a capacity of 436 parking spaces. Constructed in 2004, it is the newest parking asset operated by the City. A 2016 parking occupancy study indicates the garage is 35% occupied during weekdays, although occupancy is greater during summer and holidays. It is one of two city-operated parking garages that offer monthly parking permits. It is the only parking garage that offers paid hourly parking. The Monterey Street Garage also offers a validation program to businesses interested. The parking rate at the garage is currently 50 cents an hour. Monthly permits for all day parking are $20. An average of 275 monthly permits are purchased each month.

Salinas Street Garage

The Salinas Street garage is a 2-story structure between Salinas Street and Lincoln Avenue, next to the Permit Center and approximately a block away from City Hall. There are 264 parking spaces that are allocated for public, City vehicle parking and time-restricted parking. The garage provides covered parking at the ground level. It is within walking distance to Main Street, Steinbeck Library, the Recreation Center, City Hall, and the County Government Center. Parking is largely utilized by monthly permit-holders and there are limited 2-hour parking spaces. Approximately 100 permits are sold each month for the ground-level parking at $50/month for all day parking. Approximately 95 permits are sold on the upper level at a cost of $40/month for all day parking.

City Municipal Parking Lot 5

This lot is located immediately east of the Rabobank building. This lot has 144 spaces, which are 61% full on weekdays. The lot provides convenient access to the 300 Block of Main Street. Approximately 65 monthly parking permits are sold each month at a cost of $40/month for all day parking.

City Municipal Lot 8

This lot is located immediately east, across Lincoln Avenue, from City Hall. Most of the spaces are allocated for City parking. Approximately 15 permits are purchased each month at a cost of $40/month for all day parking.

City Municipal Lot 17

City Municipal Lot 17 is a small lot across the street from the Permit Center. Most of the spaces are allocated to City vehicle parking. However, six monthly permits are purchased for $40/month for all day parking.

DISCUSSION

The Downtown Parking District is fraught with financial concerns. At the end of the 2017-18 Fiscal Year, the district reports a loss of $395,593. Similarly, in previous fiscal years the program reports losses of similar magnitude. Operating at a loss is a drain on the General Fund. A significant consequence is the failure of the program to support maintenance needs and the inability for the program to invest in better efficiency. The main problem is that the user rates, the fees that are charged to those that use the facilities, no longer support the operations of the parking district. Furthermore, the lack of reinvestment in the program erodes the value of the City's parking garages and parking lots, which ultimately impact the downtown economy.

Staff is therefore proposing to increase parking rates for the above parking facilities in the Downtown Parking District. The rate increase is part of the City's efforts to improve sustainability of programs that support downtown and reduce dependence on the General Fund. The General Fund can no longer subsidize the operations and maintenance costs for the parking facilities in the Downtown Parking District.

Parking Rate Correction

In August 2018, staff brought a proposed rate increase to Council. After public discussion, the rate proposal was tabled to provide more discussion with the community. Since that time, staff and Council members have been actively working to return the rate increase recommendation for Council's consideration. Mayor Gunter and Councilmember McShane met with a subcommittee of stakeholders in September 2018 to discuss options to help the program approach sustainability.

As a result, Exhibit A provides the revised recommendation for the needed rate increase for monthly permits. The exhibit shows a phased rate increase through the next three fiscal years. The revisions include:

1. A phased rate increase for 3 years.
2. An annual rate review and adjustments beginning 2022 and thereafter.
3. A reduced rate increase for Lot 5.
4. Re-balancing of rate at the lower and upper deck of the Salinas Street Garage.
5. New costs for Parking Garage contract operator.
    a. Council approved a contract with Laz Parking on November 20, 2018. With the contract, garage management costs are fixed for 2 years at $280,039, which is over $30,000 less than current contract.
6. Re-distribution of the Parking staff costs to other city programs to reflect the actual cost to the parking district (only 25% retained in the Downtown Parking District).

Staff is recommending the three-year phasing plan for rates. Staff further recommends that rates be reviewed annually to ensure program sustainability. Periodic reports will be provided to City Council to monitor the parking enterprise's fiscal health.

Exhibit B shows the estimated revenue and expenditure statement through fiscal year 2022-2023 given these proposed rates. The projection for 2022 and 2023 includes assumptions based on rate adjustments assuming a CPI of 5%. Actual rate recommendations for those years will have to be determined at that time. The 3-year phased rate increase recommendation is projected to cover costs of operations and allows the City to make essential maintenance improvements that have been deferred. There are also enhancements to service desired by downtown stakeholders, e.g., providing security, which are not included in the projected expenditures. Examples of deferred maintenance that need to be scheduled, including cost estimates for desired services, are listed as follows:

1. Re-lamping of lighting fixtures at both garages ($29,000)
2. Repainting of Salinas Street Garage ($20,000)
3. Annual cleaning of the elevator at Monterey Street Garage ($5,000)
4. Security for Salinas Street Garage – ($10,000 annually)

Providing these services enhances the value of the garages to downtown. Restriping and resurfacing of the parking lots also need to be scheduled and are not included herein.

There is continuing need to consider other revenue measures to improve the fiscal health and sustainability of the district, such as on-street metered parking. In addition to pursuing sustainability of the district's parking programs, the City will need to plan how to meet the anticipated growth in parking demand for downtown. The City is actively pursuing economic vitality as well as increasing density in downtown, including encouraging commercial and housing development. For the parking district, meeting these economic objectives will also mean an increase in parking demand which will have to be met.

The approval of these rates for existing paid parking programs is a first step. The City parking management strategy anticipates that it is very possible to have a fiscally healthy parking district that is also able to plan, fund and improve services to meet the future parking needs of the district. This work can be accomplished working together with partners within the district.

<u>Hourly Rate at the Monterey Street Parking Garage</u>

In addition to proposed increases in monthly parking permits, the Monterey Street Parking Garage hourly fee will increase to $1.00 from $0.50. It is proposed to increase to $1.25 in 2021. Furthermore, any caps in the hourly rate for long-term parking is not recommended.

At the writing of this report, the City continues discussion with Maya Cinema and Growers Street Cooling regarding validation services at the Monterey Street Garage. The contribution of the validation program, particularly of Maya Cinema, has a significant impact on projected revenue because the program constitutes close to half of transient activity at the garage. Results of these discussions will be part of validation program agreements for the two existing users of the program.

Maya is required by the DDA (Third Amendment) to make "annual payments in an amount equal to the fair market value of the use of the Parking Garage…". In the interest of promoting the downtown community, the City initially provided parking in the garage free of charge and then allowed the first two hours of free parking through the end of 2005. On January 3, 2006, the free parking in the garage ended. As an incentive to the major users of the garage who use parking validations, the City established an initial discount of 50% for those validations of 50 cents down to 25 cents. That initial 50% discount should have ended in 2008, but the City extended that discount into 2018. The City also discounted the 3-hour validation that is given to each Maya customer to 2.5 hours. Maya pays for 2.5 hours even though the customer receives 3 hours. The total value of the discounts since their inception is $965,942. Of this amount, the value of the extended discounts the last 9 years amounts to $717,624. The 50% discount has been discontinued for the 17-18 validations. It will be important for Maya Cinema to begin to pay its fair share of the parking program.

Consideration by Finance Committee

At the February 2019 meeting of the Finance Committee, committee members requested that staff investigate alternative scenarios for the hourly rate at the Monterey Street Garage that may reduce the burden on businesses and downtown patrons. The suggestions included:

1. Alternative pricing to include free parking for the first hour.
2. Caps on parking for those who may want to park longer in Monterey Street Garage.
3. Free parking on Sundays.

Staff reviewed the alternatives and all reduced projected revenues in comparison to the proposed $1.00 increase for the Monterey Street Garage.

Alternative (hourly rate)	Estimated Revenue*	(Loss) in comparison to staff recommendation
$1.00/hr. – Recommended Rate	**$429,000**	
$0.50/half-hour (1st hour free)	$256,366	($172,364)
$0.75/half-hour (1st hour free)	$393,122	($35,878)
$1/hr. (first hour free)	$248,376	($144,624)
$1/hr. (first hour free - $8 cap)	$272,569	($156,431)
$1/hr. ($8 cap)	$416,295	($12,705)
Sundays Free**		($57,674)

*Estimate based on total transactions July 1, 2017 through June 30, 2018
** Estimate based on usage on Sundays from 12/2/2017 to 1/27/2019

Given the state of the parking district fund and the objectives for the district to remain sustainable, staff does not recommend any of the alternatives at this time. The parking district fund needs to focus on covering its costs before it is able to consider service enhancements.

Developing Sustainable Programs for Continued and Better Service

The revised rate change proposals are modest and responds to the concerns of the City Council in August. It is important to note that the City has supported downtown businesses with its parking program and has shouldered the cost of parking for more than a decade. City staff has endeavored to sustainably increase parking rates, while minimizing the impact to downtown parking customers. Not raising parking rates to meet costs is not an option since the City's General Fund cannot continue to subsidize the downtown parking district. The "Salinas Plan: Final Report on Fiscal Sustainability and Housing Affordability" recommends eliminating the downtown parking fund deficits (Section MC01) to achieve the fiscal stability needed to continue providing services to residents.

The rate proposals will directly affect customers currently using these parking programs, particularly those who use long-term parking downtown. The proposed rate increases do not affect most parking options in the Downtown Parking District, for which short-term parking is still provided at no cost to customers.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

Along with managing public resources, the rate increase is an element of managing downtown parking programs that is an objective of the Salinas Downtown Vibrancy Plan. In addition, the *Salinas Plan* recommends fixing the parking district fiscal issues. The rate increase is a first step. Looking ahead, the parking district needs to plan for future parking needs, including increasing parking supply to meet future parking demand.

FISCAL AND SUSTAINABILITY IMPACT:

This fiscal year marks the first year that the City parking programs have been managed as enterprise programs. Public Works operates several enterprise programs successfully, including the airport, the sanitary sewer, and the industrial waste collection system and treatment facility programs. Each have demonstrated continuing benefits to customers and program sustainability. Managing the parking district as an enterprise encourages the City to monitor, evaluate and tend

to the fiscal health of the Downtown Parking District. Exhibit B shows the downtown parking district to be in the black in Fiscal Year 2019-20 ($1,806) and in the following years. Rates will have to be reviewed regularly each year to make reasonable incremental adjustments and avoid the necessity of making significant changes, as we are doing now, after a decade of allowing revenue to lag behind the actual cost of operating.

With the approval of the proposed rate increases, the estimated new annual revenues reduce dependence on the General Fund. Assured reinvestment of developed revenues into the program improves its sustainability and the ability of the Downtown Parking District to provide supporting services to downtown.

ATTACHMENTS:
Exhibit A – Proposed Rate Increases
Exhibit B – Projected Revenue and Expenditure
Exhibit C – Downtown Parking District Map
Resolution