Downtown Commission
AGENDA REPORT

DATE: 6/6/2018

AGENDA OF: 6/19/2018

SUBJECT: Downtown Parking Fees and Rates

RECOMMENDATION: That the Downtown Commission recommend that City Council approve amending downtown fees and rates to increase parking permit rates, increase hourly parking rates for lots, meters and parking structures, to fund the sunset of parking deficiency fee paid by businesses, regular annual funding for Transportation Demand Management enhancement, and construction of a new parking structure.

BACKGROUND: On December 6, 2016 City Council discussed the feasibility of a new parking supply project as part of a mixed-use Library, commercial, office, and/or housing project. The Feasibility Study considered the possibility of this collection of uses at the current location of Parking Lot #4, bounded by Cedar Street between Lincoln and Cathcart streets. This site is also where the Santa Cruz County Farmers Market (SCCFM) currently utilizes an annual special use permit to operate the Wednesday downtown market.

At the December 6, 2016 City Council Meeting, Council directed staff to develop a work plan, outreach plan, and funding plan to move the project forward, and to return to Council (Attachment 1). Council directed staff to focus on three main areas: the Downtown Library and a public process for determining the best path forward; developing a permanent home for the Downtown Farmer's Market; and developing a parking rates matrix for funding the parking portion of the potential project.

The focus of this report is on the rates matrix, which presents a parking rate strategy that fulfills the Council direction to develop a rate strategy that supports a new parking supply project as part of the mixed use development. In addition, the framework for a rate strategy also depends upon sound projections of supply of parking, demand for parking, and transportation demand management (TDM) programming. Staff has previously developed and presented a number of pieces to this Commission that are crucial to the discussion. First and foremost is the supply and demand model, which also bears on the TDM (GO Santa Cruz) discussions. Additionally, this Commission heard the Downtown Library Advisory Committee (DLAC) findings of a preferred new library- mixed use project, on the Lot 4 site, at the March 22, 2018 meeting of the DTC.

The supply and demand model results presented at the Special February Downtown Commission meeting were preceded by an update of the City's efforts towards reducing single occupant vehicle trips via projects and programs to encourage alternatives to driving and parking (TDM). Because the supply/demand and TDM discussion is crucial discussion of new parking supply and parking rates, the information is reiterated here.

While the overall District will change over the next five years to likely include sizeable new housing units and the typically required commercial inherent to downtown projects, of special note is the lease on the Calvary Lot. Historically, the City had five year leases to use this lot but this was reduced to a two year lease with a two year option in 2015. We are now in the option period whereby owner can terminate the lease if they enter into a development permit or apply for a building permit. The lease expires on Sept 30, 2019.

The key takeaway is that the fate of this lot, on which the City sells 120 permits to downtown businesses and residents, is uncertain and could be lost for City use at any time.

DISCUSSION: Parking Supply/Demand

Over the years, the City of Santa Cruz has maintained various models to project the future parking needs in the downtown business district. The purpose of this model is to determine existing and future supply and demand requirements to maintain a vibrant downtown for businesses, residents, and visitors.

The City of Santa Cruz contracted with Nelson\Nygaard to produce a parking model to assist in forecasting future parking supply and demand. The purpose of this model is to better understand the existing and future parking needs in the downtown and to proactively plan to address those needs in the immediate and mid-term. This model uses parking supply data, parking occupancy data, and projected land use change to determine future needs. For land use change, past models had used the prescribed parking requirements from the land use code ("code based model") to establish a baseline of demand. This new model uses actual demand ("measured demand model") in the field as a starting point. City staff adapted the model to develop two land use scenarios over two time periods, with no pricing changes. Supply, demand, land use scenarios, and time horizons are discussed below:

Supply:

Parking supply in downtown consists of on-street and off-street metered spaces, free time-limited spaces, pay-by-space surface lots, and garage parking spaces. There are a total of 2,950 public parking spaces in the Parking District.

The number of spaces in the parking model include the predicted loss of existing surface parking lots over the planning horizon due to the expiration of existing leases and utilization of existing surface lots for mixed use housing projects.

The City's Parking District parking requirements are different than elsewhere in the City as they are based on a "shared parking" system. This shared system assumes that people who park downtown are visiting multiple businesses that operate at different peak times and that they will only need one parking space for those multiple trips. The public parking is made available to all customers, employees, and residents in the Parking District and is provided by the city for public use. The shared parking system allows the City to maximize the development potential while minimizing the property devoted to parking.

Demand:

Parking demand is measured by the occupancy rate. The occupancy rate is calculated as the number of occupied spaces divided by the total number of spaces available. Occupancy rates at

or close to 100 percent are undesirable because motorists must hunt for parking and/or may believe that the entire block or structure is full, even if there are additional spaces in upper floors or adjacent streets. Research has shown that approximately 30% of congestion experienced in downtown environments is attributable to motorists circling looking for parking. In addition, occupancy at 100 percent does not allow flexibility for unusual circumstances, busy holidays, or special events. Thus, when evaluating parking, it is the conventional professional practice to look at the "effective" supply instead of the full supply. The effective supply is the maximum number of parking spaces that can realistically be used within a given system, including room for a supply "cushion" to allow people to find parking during temporary occurrences, such as construction, special events and game nights, and lot closures. Different thresholds of full occupancy are used for on-street and off-street parking. In most cases, on-street parking is considered to be full or has reached its effective capacity when it reaches 85 percent occupancy and structured parking is considered to be full when it reaches 80 to 90 percent occupancy. For the purposes of this model, we examined an 85% on-street effective supply and a 90% off-street effective supply.

Land Use Scenarios:
The Downtown Plan establishes the future land use potential in the downtown. Each of the scenarios below uses residential and non-residential projections in line with the assumptions of the downtown plan. These are further supported by the City Council's Two-Year Work Plan goal to entitle 500-600 housing units downtown.

Scenario 1: No New Parking Supply- This model assumes that there is no new parking supply constructed over the planning horizon except as part of private residential development. This scenario assumes loss of various existing surface parking facilities due to expiration of existing leases and utilization of surface lots for housing development. This results in a net loss of parking over the time horizons.

Scenario 2: New Parking Supply- This model assumes adding 600 (369 replacement and 231 new) parking spaces in the downtown parking district. This scenario also assumes loss of various existing surface parking facilities due to expiration of existing leases and utilization of surface lots for housing development. This results in a net increase in the number of parking spaces.

Planning Horizons:
The model examines two planning horizons: a ten-year and a twenty-year projection.

Ten-Year Planning Horizon: The ten-year planning horizon includes pipeline projects that there is reasonable certainty will start construction in the next ten years. These projects include those currently underway and those where owners have communicated plans for future development. This also includes loss of city owned parking supply to expiration of existing leases and utilization of existing surface parking supply for housing and commercial development. Best available assumptions were used to determine future parking supply and demand in the ten-year planning horizon.

Twenty Year Planning Horizon: The 20-year planning horizon uses the land use assumptions in the adopted Downtown Plan. For the purposes of this model, it was assumed that 80% of the overall downtown plan would be built-out over the twenty-year horizon, which aligns with assumptions in the General Plan buildout scenarios. This 80% was applied to residential and

non-residential land use assumptions in the Downtown Plan to determine future parking supply/demand.

FINDINGS:
Under both land use scenarios and both planning horizons, the downtown parking district is projected to experience a parking deficit. Specific supply/demand deficit numbers are presented graphically in Attachment 2. In both land use scenarios, there is a parking deficit in the 10-year and 20-year planning horizons.

With no new supply, the modeled parking supply results in a shortage of 657 spaces in 10 years and a shortage of 1,210 in twenty years. With a new supply project, the modeled parking supply results in a shortage of 192 spaces in 10 years and a shortage of 745 in twenty years.

Transportation Demand Management:
Santa Cruz is a national leader in reducing single occupancy vehicle trips, having a drive-alone rate almost 20% below the national average (56.5% in Santa Cruz compared to 76.4% nationally). As a city, we've invested heavily in promoting alternative transportation options to the personal automobile to achieve less congestion, lower greenhouse gas emissions, and increase safety for all roadway users. As a city, we are committed to reducing our drive-alone rate, and anticipate further reductions in drive-alone rate in the coming years through expansion of TDM programs.

The parking model baseline assumes a constant 56.5% drive alone mode split over the out years. Multimodal options continue to evolve, which directly affect the supply and demand for parking. To reflect future reductions in drive-alone rate, the city applied various post-processing factors to the parking model to determine future parking demand over a variety of mode splits that all included a reduction in single occupant vehicle (SOV) travel. These reductions can come from any manner of reductions in SOV, including increases in biking, walking, and transit, emerging technology, and others.

Each of these post processing scenarios was run on Land Use Scenario 1 and Land Use Scenario 2. Scenarios included a modest reduction in SOV (53%), and increments of increasingly aggressive SOV rates (50%, 45%, 40%, 35%, 30%), and a "sweet spot" calculation to determine the SOV rate that would achieve a balance in supply/demand.

The findings from these post processing calculations are included in Attachment 3. With no new supply, the City of Santa Cruz would have to reduce single occupant vehicle trips to downtown from the existing 56.5% to 35% by 2026, and t0 25% by 2036. With a new supply project, the City of Santa Cruz would have to reduce single occupant vehicle trips to downtown from the existing 56.5% to 53% by 2026, and to 37% by 2036. The key takeaway from these findings is that even with incredible strides in reducing SOV travel, TDM alone will not be enough to meet the parking demand in the downtown parking district.

Parking Rates Strategy

Staff have developed a proposed Parking Rates Strategy that makes changes to user fees and deficiency fees to financially support a new parking supply project as part of the mixed-use library project. The proposed Parking Rates Strategy has been presented to the Downtown Commission Parking Finance Ad-Hoc Subcommittee, attended by Commissioners Farrell and

Prindle. Subsequently, staff reached out to several downtown stakeholders representing a cross-section of downtown business types for feedback. Finally, staff utilized an outside urban economics consulting firm to peer review the proposed Parking Rates Strategy in the form of a Technical Review (Memo attached).

The proposed parking rates strategy was developed to address three main downtown parking issues: (1) Eliminating the Business parking subsidy known as the Parking Deficiency Fee so that parking users pay for the parking they are consuming; (2) adding regular, predictable, annual TDM funding to enhance current TDM efforts; and (3) funding a new parking replacement and supply project (replace 369 surface parking spaces, add 231 net new parking spaces to help serve anticipated new demand and further loss of supply).

The proposed Parking Rates Strategy would adjust rates in the following ways: (1) sunsets the deficiency fee; (2) brings the cost of a monthly parking permit in line with that of a monthly transit pass; (3) incrementally raises on- and off-street hourly parking fees to reflect the true cost of parking; and (4) establishes an annual, reliable funding source to expand TDM programs and projects. The approach to each is described below.

Sunset of the Parking Deficiency Fees: The Parking Deficiency Fee was first assessed in the 1960's for the first consolidated (shared) parking project. The fee is paid by businesses and homeowners associations that do not provide parking required for their respective, anticipated, demand. This amounts to parking deficiency fees helping to subsidize the ongoing maintenance and operations of the parking district. While the parking required is much lower in the District than the rest of the City, a base line requirement of parking does exist, and businesses that pay deficiency fees have not provided sufficient parking supply commiserate with their demand. Paying the fee instead of building scores of small parking lots supplied the funding for shared parking facilities, eliminated "dead space" that parking lots create, and resulted in less District-wide parking required and a parking supply that is more efficiently utilized.

The Deficiency Fee assessment has been effective over the years but has possibly outlived its prime. Because many businesses pay the Deficiency Fee and buy Parking Permits, businesses have expressed that they feel they are being doubly charged. Also, eliminating this business subsidy to the parking district and requiring parking users to fully fund the cost of constructing, operating, and maintaining the facilities is a "best practice" of Parking Management (and TDM) in that parking users may alter their transport choice if they must pay the true cost to park. The proposed parking rates strategy would sunset the deficiency fee (15% per year, which would fully sunset the fee in 6.5 years).

Permit Fees: Monthly permit fees are currently around half the cost of a monthly transit pass. When driving and parking the cheapest, fastest, and most convenient option, individuals will continue to choose to drive. Raising the cost of a monthly parking permit to be in line with the costs of a monthly transit pass creates the need to make an actual financial choice about what mode to use, and brings the true cost of parking to the users of parking. During the outreach process, staff heard from solid support for this change. This shifts the true cost of parking to users and is a component of the City TDM strategy and is in line with best practices. Proposed fees will increase in Year 1 to $45/month, in year 2 to $55/month, in Year 3 to $65/month, and in Year 4 to $75/month.

Hourly Rates: The proposed parking rate strategy includes a two-step approach to incrementally raising hourly parking fees for on-street meters and off-street lots and structures. This shifts the true cost of parking to users and is a component of the City TDM strategy and is in line with best practices. For lots and garages, in Year 1 hourly fees will be raised from $0.50/hour to $1/hour, and in Year 2 will be raised from $1/hour to $1.25/hour. For parking meters, in Year 1 hourly rates will be raised by $0.25/hour and in Year 2 will be raised by $0.25 – 0.50/hour to resulting in $1.50/hour across the core of downtown, and $1.00/hour on the outer fringes.

Transportation Demand Management Fund: Charging the true cost to the actual user of parking is of the first step of TDM. A step beyond is to have parking rates pay for reducing the parking demand. The proposed parking rates strategy does both, and the proposed parking rates strategy uses user fees to fund an on-going TDM fund, which will allow for enhanced TDM measures to be implemented with a regular annual commitment of funding. In particular, any level of Transit subsidy (free or discounted bus passes for downtown employees), Bike Share subsidy, Emergency Ride Home (guarantee for those traveling to work by alternative means), carpool incentives, and ridesharing incentives, will all require new dedicated funding.

As presented, the supply and demand model present a clear need to add additional parking supply in order to accommodate for the needs of our changing downtown, in particular with regard to providing increased housing opportunities downtown. Given the City's Supply and Demand Model coupled with the City's incredibly low drive alone rate, City staff do not believe we can solve our way out of the projected parking shortfalls through expanded transportation demand management alone. We can and must continue to lower the drive-alone rate, but new supply must also be added to replace the lost surface lots and accommodate future growth and development in downtown.

New Supply: The December 6, 2016 Feasibility Study presented to City Council included a rough order of magnitude (ROM) cost for the different portions of the mixed use project. The parking portion ROM ranged between 33 and 37 million dollars to build the 600 space structure. Staff used the high-end ROM, plus bonding costs, to determine the total cost to bond, and then amortized over 30 years to come up with an estimate for annual bond payment in the Rates Strategy. Also added in, is the new costs for operation and maintenance of a new structure.

Rates Strategy Assumptions: The Rates Strategy looks at just the changes to District finances over a 5-6 year horizon. In other words, the Strategy assumes the future District continues to operate and provide the same level of service as it does today. Therefore inflationary values are added for all costs to keep them relevant. Only the new revenue portion of price increases are included and a running Fund Balance is included as the bottom line.

Loss of occupancy due to price increases have been considered and included in the Rates Strategy. Analysis of the price/occupancy "elasticity" is filled with uncertainty due a multitude of contextual issues. Location, both macro and micro, time of day, day of the week, size of price change, the initial price, variance over time, and other options for parking and or driving, street closures, construction projects, seasonal variation all effect the factor used to predict the loss of occupancy.

For the Rates Strategy forecast a low elasticity was used in year one (2019) because the initial price is low, the pent up demand is high, and there will be a loss of supply. In year two, 2020, there are more lots lost, and it is assumed construction would begin on the lot 4 site. Given the

large loss of surface parking, no additional loss due to price increases are included. Year 3 is the same, and in year 4 it is assumed that the structure is complete and open. With the return of the 369 replacement spaces and the 231 new spaces, a loss of occupancy is once more added the forecast. For year 4, a more conservative (higher) elasticity value is included and continues to be included in year 5 and beyond. Staff did not include a diminishment of this loss, although based on past District experience, occupancy increases even after price increases, especially over time.

FISCAL IMPACT: The Parking Rates Strategy seeks to maintain a balanced budget for the District while eliminating the Parking Deficiency Fee over time, raising Permit Fees, raising hourly parking and meter rates and funding an enhanced annual TDM program.

There is no impact to the City's General Fund. There is an anticipated balanced budget in the Parking Fund with new costs and new revenues.

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ATTACHMENTS:
Attachment 1: Minutes of December 6, 2016 Santa Cruz City Council Meeting
Attachment 2: Supply and Demand
Attachment 3: Single Occupant Vehicle (SOV) Mode Split Scenarios
Attachment 4: Summary of Proposed Parking Rates Strategy