

Agenda Report

DATE: August 11, 2008

TO: CITY COUNCIL / PASADENA COMMUNITY DEVELOPMENT COMMISSION

THROUGH: FINANCE COMMITTEE (August 11, 2008)

FROM: CITY MANAGER / CHIEF EXECUTIVE OFFICER

SUBJECT: JOINT ACTION: PASEO COLORADO PARKING GARAGES – AMENDMENT TO THE PARKING OPERATIONS MANAGEMENT AGREEMENT, INCREASE THE MONTHLY AND DAILY PARKING RATES AND AUTHORIZE AN ADVANCE FROM PLAZA LAS FUENTES PARKING FUND

RECOMMENDATION:

It is recommended that City Council and the Pasadena Community Development Commission take the following action:

1. Authorize an amendment to the Parking Operation and Management Agreement (POMA) between the Pasadena Community Development Commission (Commission), Developers Diversified Realty DDR (Developer) and Federated Western Properties, Inc (Federated) to detach Paseo Colorado parking rates from Old Pasadena parking rates;
2. Approve an increase to the monthly and daily parking rates at the Paseo parking garages as follows:

Transient Parking Rates

- Change incremental rate from \$2 per hour to \$1.50 per half hour, effective October 1, 2008.
- Change the daily maximum for non-validated tickets from \$6 to \$9, effective October 1, 2008.

Monthly Parking Rates

- Change the non-tenant monthly rate from \$80 to \$90, effective October 1, 2008;
3. Approve a loan in the amount of \$4.2 million from the Plaza Las Fuentes Parking Garage Fund to the Paseo Parking Fund; and,
 4. Approve repayment of General Fund advances in the amount of \$1.2 million.

RECOMMENDATION FROM COMMUNITY DEVELOPMENT COMMITTEE:

At a special meeting on July 31, 2008, the Community Development Committee determined that the amendment to the Parking Operations Management Agreement and increase in parking rates at the Paseo Colorado parking facilities are warranted and voted to recommend the amendment to the City Council.

BACKGROUND:

On March 10, 2008, staff brought a report to the Finance Committee which outlined the financial history, current operation and future outlook for the Paseo Colorado Parking Structure Fund. The report indicated that due to a number of factors, revenues have, in general, not been sufficient to cover expenses and based on current projections the Paseo Colorado Parking Structure Fund, will continue to experience a growing deficit. Nonetheless, it should be recognized that the Paseo Colorado project as a whole has contributed much to the city in terms of economic impact as well as the aesthetics of the downtown area by opening the view corridor from the Civic Auditorium to the Main Library. The Paseo Colorado project impact in property taxes to the City is approximately \$2.4 million and in sales taxes approximately \$1.4 million each year.

Increasing parking rates is effectively the only way to reverse the trend in the parking structure fund. However, pursuant to the terms of the Parking Operations Management Agreement (POMA) the rates charged at Paseo cannot exceed those charged in Old Pasadena. Consequently, in order to increase rates the terms of the POMA must be modified by way of an amendment approved by those party to the agreement: the City of Pasadena, Developers Diversified Realty DDR, and Federated Western Properties Inc. which owns Macy's.

After discussion with the Finance Committee staff contacted the Developer in an effort to encourage them to fund a portion of the shortfall and to detach the Paseo Colorado parking rates from Old Pasadena parking rates. Staff met with the General Manager of DDR who represents the Developer to review the current parking fund balances, revenue projections, and the proposed rate increase. On behalf of the Developer, the General Manager stated they did not want to make the shortfall contribution and preferred that the City move forward with the proposed increase to the parking rates. The Developer further agreed that amending the POMA is in the best interest of all. It should be noted as manager of the garage, the City has paid all operating and debt service costs since the second year of garage operations as allowed per the POMA and contractually there is no requirement that the Developer make any contributions to the fund.

Should the recommendation for an amendment to the POMA be approved, the following daily rates will be applicable with the implementation of the amended POMA. Monthly parking rates are not required to mirror those in the city-owned garages in Old Pasadena and are scheduled to increase within the next few months:

Incremental Transient Parking & Non-validated Daily Maximum Rates

The current transient rate is 90 minutes to 2 hours free with validation and \$2 per hour thereafter with a daily maximum of \$6. Staff recommends changing the incremental rate to \$1.50 per half hour with a \$6 daily maximum for validated tickets and a \$9 maximum for non-validated tickets. These rates are in-line with the current parking rates of neighboring cities and comparable retail facilities (Attachment 1). Assuming current utilization patterns continue, revenue is forecasted to increase by approximately \$1,023,000 per year.

Monthly Parking Rates

The current monthly parking rate is \$80 for non-tenants. Per the POMA, employee permits shall be priced so as to phase up to a full market rate over the first full 10 years after opening (full market rate begins in 2011). Currently tenants and employees of Paseo Colorado pay \$56 per month, which is 70% of the non-tenant rate. Macy's employees pay \$40, which is 50% of the non-tenant rate. Staff recommends increasing the non-tenant monthly parking rate to \$90 effective August 1, 2008. An increase in the non-tenant rate will cause a corresponding increase in the rate for Paseo tenants and employees and Macy's employees. Due to the required "phase up", effective January 1, 2009, Paseo Colorado tenants/employees would pay 80% of the non-tenant rate (\$72). Macy's employees would continue to 50% of the non-tenant rate (\$45). The combined result would increase revenue by approximately \$234,000 per year.

Labor and other operating costs have been and will continue to be reduced and optimized wherever possible.

FUTURE OUTLOOK

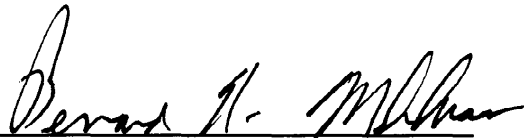
A proforma is attached which illustrates the impact of the rate increase (Attachment 2). Additionally, as previously mentioned to the City Council, the deterioration of Ambac's credit rating, the insurer of the Paseo Colorado variable rate bonds, has increased the interest rates at which the bonds reset, beyond what would be expected under normal market conditions. Presently, staff will be bringing forward a recommendation to refinance these bonds. On a longer term basis, staff wishes to explore the possibility of refinancing all or a portion of the bonds on a tax-exempt basis. This analysis would take some time and will likely require significant changes to the POMA and possibly the manner in which the garages are operated.

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FISCAL IMPACT:

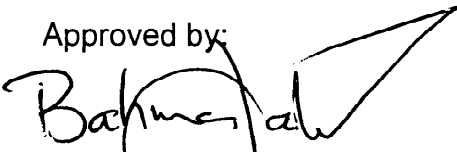
In addition to increasing rates, staff is recommending a loan in the amount of \$4.2 million be made from the Plaza Las Fuentes Parking Garage Fund to the Paseo Parking Fund to be repaid from future net income. It is also recommended that the previous General Fund loan of close to \$1.2 million be repaid from the proceeds of the loan request from Plaza Las Fuentes Parking Garage Fund, thereby combining the debt into one fund. This action will not increase the fund balance of the General fund since the loan, as a receivable, is already considered fund balance. The current fund balance of the Plaza Las Fuentes Fund is approximately \$8.3 million. The proposed loan in combination with the proposed rate increases is anticipated to yield positive net income beginning fiscal year 2009. The Paseo Parking Fund is expected to begin repaying the loan in fiscal year 2012. The loan will accrue interest at an annual rate of 4%.

Respectfully submitted,



Bernard K. Melekian
CITY MANAGER /CHIEF EXECUTIVE OFFICER

Approved by:



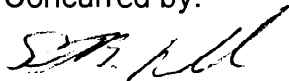
for Frederick C. Dock
Director of Transportation

Prepared by:



Bill Bortfeld
Parking Manager

Concurred by:



Steve Mermell
Director of Finance

ATTACHMENTS

1. Market Survey Municipal/Retail Facilities
2. Rate Increase Proforma