

Agenda Report

November 1, 2021

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (10/26/21)

FROM: Department of Transportation

**SUBJECT: UPDATE ON ASSESSMENT OF CITY OWNED PARKING STRUCTURES
AND RECOMMENDED OFF-STREET PARKING RATE RESTRUCTURE**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that this action is exempt under the California Environmental Quality Act (CEQA) in accordance with Section 15061(b)(3), the General Rule that CEQA only applies to projects that may have an effect on the environment; and
2. Authorize the elimination of the 90 minute free parking period in all applicable City owned parking structures, and modification of the hourly rate structure to charge \$1 for the first two hours, \$2 for each subsequent hour with a daily maximum parking rate of \$12 at said structures starting July 1, 2022; and
3. Authorize the implementation of a validation system where local businesses can purchase parking validations for use in the City garages at rates set forth in the City's General Fee Schedule.

EXECUTIVE SUMMARY:

The City contracted with the engineering firm of Wiss, Janney, Elstner Associates, Inc. to complete an assessment of the physical condition of all nine City-owned parking structures. The consultant's report identified \$12,150,427 worth of needed repairs throughout the City's portfolio, with approximately \$9.5 million of these repairs recommended to be completed by the end of FY 2024. These short term costs are prioritized as more urgent based on the age of the current equipment needing replacement, or the urgency of the need for repair based on the future viability of the facility.

Unfortunately, the Parking Garage Fund (Fund 407) does not currently have the funds available for these repairs. Fund 407 revenues have historically only been able to cover operating costs, and insufficient to address larger repairs. Garage rates in the City-owned garages have remained flat for the past 20 years, while expenses have increased approximately 3% per year. Fund 407 ended Fiscal Year 2021 with a fund balance of \$429,186, which is down from approximately \$5,000,000. Fund 407 is projected to end Fiscal Year 2022 with a negative fund balance of -\$1,519,796

In order to generate additional revenues to cover these expenses and ensure the long-term financial health of the City's parking program, staff is recommending eliminating the 90 minute free period in garages that currently offer it, and instituting the following rate schedule:

\$1 for the first 2 hours
\$2 for each subsequent hour
\$12 daily maximum

The \$12 daily maximum rate would be applied not only to the garages that currently offer 90 minutes of free parking (Marriott Garage, Schoolhouse Block Garage, De Lacey Garage and Del Mar Station Garage), but to all other garages with the exception of the Plaza Las Fuentes garage where the daily rate is \$19. The recommended changes would provide an estimated \$2,900,000 in additional revenue, which would help address the repairs and to help stabilize Fund 407.

Staff also recommends the implementation of a validation system where local businesses could purchase parking validations for their customers at rates to be determined after consultation with the affected business districts. This would help business owners provide free parking to customers while ensuring that Fund 407 continued to receive revenue that is critical for the upkeep and operation of the parking facilities.

BACKGROUND:

The City of Pasadena owns nine parking structures in the downtown area. The oldest of these structures were built in 1970, while the newest was built in 2003. An assessment of the physical conditions of these garages was needed to identify the level of investment required to correct any deficiencies, ensure structural safety, and prolong the useful life of the structures.

In 2010, the City contracted with Walker Parking Consultants to complete an assessment of the nine garages. Walker developed a 10-year maintenance plan for the garages with an estimated cost of \$25,000,000. Due to funding constraints only about \$7,000,000 worth of work has been completed.

In order to have a more current assessment of garage conditions, in May 2019, the Department of Transportation released a Request for Proposals to solicit proposals for the services of a Parking Structure Assessment firm to assess the physical conditions of the same nine City-owned parking structures. On October 28, 2019, the contract was awarded to Wiss, Janney and Elstner Associates Inc (WJE).

Assessment Findings

WJE has identified \$12,150,427 worth of needed repairs throughout the City's portfolio. Approximately \$9,469,170 has been recommended to be completed by the end of FY 2024. These short term costs are prioritized as more urgent based on the age of the current equipment needing replacement, or the urgency of the need for repair based on the future viability of the facility. Attachment A lists the estimated maintenance costs per garage by year, and Attachment B lists the repairs and costs by garage. Some of the larger and immediate projects identified are as follows:

Repair/Update Carbon Monoxide Exhaust Systems (currently in process at 3 garages)	\$480,000
Modernization of Aging Elevator Cars/Systems at 8 garages	\$2,420,000
New Rooftop Traffic Coating (Schoolhouse)	\$1,000,000
Improve Lighting at all 9 garages	\$2,100,000

The City is obligated through various agreements to operate and maintain all City owned garages in a first class manner. In order to do so, and to ensure clean and safe conditions, City staff have determined that it is imperative that the work recommended in the WJE study is completed in a timely fashion. "Life safety" issues are being addressed as funds are identified. However, given the state of the Parking Garage Fund (Fund 407), whose reserves were depleted due to the financial impacts of COVID, the Fund does not currently have the financial capacity to address all of the identified deficiencies. As noted above, there are contractual obligations to operate and maintain all of the garages in a first-class manner, and to maintain safe conditions in them. As such, there is urgency for the City to complete the recommended work. However, constraints on revenues has created the greatest challenge.

Funding Issues

Fund 407 revenues have been flat for the past 20 years, with the primary cause being sub-market parking rates. Rates in the Old Pasadena system have remained unchanged for the last 20 years, and the most recent rate change took place in the Paseo system in 2009. Fund 407 revenues have historically only been enough to cover operating expenses and insufficient to address imminent garage repairs leading to the backlog of work as indicated in the WJE report. Approximately 55% of the transactions in the Del Mar Station and Old Pasadena garages are free. The City does not recover revenues during the free period, further exacerbating the financial situation.

Additionally, revenues were historically subsidized through payments from various funds. From 2003 to 2012, over \$14,000,000 in Transient Occupancy Tax was credited to the Plaza Las Fuentes garage. From 2003 to 2014, over \$11,000,000 in redevelopment funds was credited to the Old Pasadena garages to help cover expenses.

Equally important to note is the effect that the COVID-19 pandemic has had on parking garage revenues. As previously reported through Finance Committee, early into the pandemic staff implemented a number of cost controls in an effort to reduce operating costs and minimize the financial impact. Despite these efforts, since the start of the

pandemic in March of 2020, all parking revenue funds have been negatively affected. Monthly parking numbers are down due to a number of office workers working at least partially from home. Transient parking numbers are down as many people either chose to not go out during the pandemic, or they utilized on-street parking spaces and kept their trips short to minimize exposure. At the height of the pandemic at lowest occupancy, transient parking revenues were approximately 75% below pre-COVID levels. While these trends are slowly ending and parking behaviors are starting to return to normal, transient parking revenues are still 20% below pre pandemic levels. To date, the garages are down approximately \$14,000,000 in total revenue in the off-street parking fund in comparison to pre-pandemic levels, with that amount continuing to grow as Fund 407 continues to recover from the pandemic's effects and invest in much needed capital garage improvements.

While parking revenues have remained flat, with the exception of the recent COVID-19 related impacted noted above, garage expenses have consistently increased at a rate of approximately 3% per year since 2001. Garage operating expenses have gone up mainly due to salary and minimum wage increases. Materials and supplies have increased in cost, as have the cost of repairs and upgrades. Even before the impacts of COVID, the business model for the garages was proving to be unsustainable.

The flat revenues and increasing expenses have made it increasingly difficult to take on capital improvements to the garage system. The most significant recent expense in the garages was the \$3,200,000 installation of the TIBA system in 2020 to replace the previously failing parking access and revenue control system. The replacement was necessary to ensure the City could continue to accurately and completely collect revenues. Parking access and revenue control systems generally have an expected life span of 10 years. The majority of the system was replaced after 19 years, mainly due to a lack of available funding to complete the project. Prior to that in 2017, we completed approximately \$2,000,000 in repairs out of an identified \$22,750,000 in the Walker study.

The COVID impacts to the fund have added a greater sense of urgency to the current situation. Previously, Fund 407 maintained a fund balance of roughly \$5,000,000. That fund balance has been almost completely depleted. While staff is working with contracted parking garage operators and with vendors, we are not able to cut expenses to allow for any significant work to be completed and still maintain the expected first class operations. While consolidating to a single garage operator will help manage operating costs and contribute a significant amount of savings, it is not enough to help maintain the facilities as expected.

Recommended Parking Fee Restructure

At this time, staff recommends taking several steps to increase revenues and to put the fund in a positive position moving forward. In working on the Parking Strategic Plan, staff has identified several methods to help better manage the parking system and increase revenues. First of all, staff is recommending the elimination of the free period in all applicable City owned parking structures starting July 1, 2022. That it is one of the simplest and most necessary steps to take to both manage parking demand and to create additional revenues to help operate and maintain the facilities. Staff is also proposing a change to the rate schedule in these garages to the following:

\$1 for the first 2 hours
\$2 for each subsequent hour
\$12 daily maximum

Fundamentally, parking rates should be used to manage demand and to avoid situations where parking facilities are full due to high demand. In order to provide a positive parking experience for patrons, parking facility owners should generally look to maintain a 15% vacancy rate during peak demand periods to ensure that visitors quickly find an available space and are able to park their vehicles and proceed to the business district. By providing any free parking period, the City is actively not managing demand, and is creating an environment where facilities periodically need to close due to lack of availability. Additionally, by providing free parking periods, the City is not collecting revenue and maintaining a financially sustainable operation. The recommended daily rate increase will align rates with those of neighboring Southern California cities (Attachment C), and will continue to attract long-term parkers to the district.

Staff, working with our consultant, have completed a significant amount of stakeholder outreach, including surveys, meetings, and meetings with business owners and their employees to gain a full understanding of parking issues and potential impacts of these changes to the business community. A summary of those outreach efforts is located in Appendix C of this report. Removing free parking and increasing rates is never popular, however it has become increasingly clear that the City cannot sustain operations under its current operating model if it is expected that the parking program be self-sustaining.

Overall, staff projects that the elimination of the free period, charging \$1 for the first two hours of parking, and raising the daily maximum rate to \$12 in all applicable City-owned garages will generate approximately \$2,900,000 in additional revenue per year.

As recommended in the Parking Strategic Plan that is underway, to offset the impact of the reduction of the 90 minutes free period in the garages, DOT staff will implement a validation system where local businesses can purchase parking validations for use by customers in the City garages. Additionally, through our work on the Parking Strategic Plan, staff is identifying additional strategies to improve the health of Fund 407 both on the expense and revenue side of the fund. Staff will return to City Council over the next few months to present and recommend action on those additional strategies.

COUNCIL POLICY CONSIDERATION:

This project is consistent with the City Council's strategic goals to maintain fiscal responsibility and stability and to promote the quality of life and the local economy.

ENVIRONMENTAL ANALYSIS:

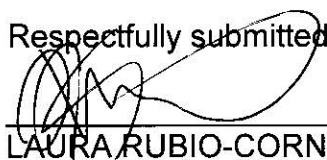
The project has been reviewed for compliance with the California Environmental Quality Act (CEQA) and is exempt per Section 15061 (b) (3). The project is covered by the general rule that CEQA only applies to projects that have the potential for causing a significant effect on the environment. The janitorial services contract will not result in any significant effect on the environment.

FISCAL IMPACT:

If the recommendations are approved, the changes will be part of the City's adoption of the general fee schedule for each respective fiscal year. The current fund balance for Fund 407 is \$429,186. Our FY22 adopted budget has anticipated revenues of \$11,500,000 and expenses of \$14,000,000. If the recommended changes are made, we anticipate that revenues will increase by approximately \$2,900,000 annually. The additional revenue will allow for garage repairs and upgrades, and will position fund 407 to grow the fund balance, be able to address future maintenance and repairs, and operate the garages to meet their respective contractual obligations as first-class operations.

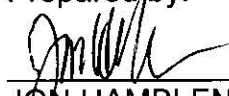
We expect to end the current fiscal year with an estimated negative fund balance of -\$1,519,796. If the recommended changes are not made, we estimate an ending fund balance for FY2023 of approximately -\$3,200,000. We would be forced to make additional cuts in service which would impact service levels and the cleanliness of operations. Those cuts could include security, maintenance, custodial and equipment repairs. Needed garage repairs identified in the Garage Assessment and detailed in this agenda report would not be addressed in a timely fashion. For FY22, Fund 407 has debt service of \$1,251,872.

Respectfully submitted,



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Attachment:

- Attachment A – Estimated Maintenance Costs Per Garage by Year
- Attachment B – Repairs and Costs by Garage
- Attachment C – Southern California Cities Paid Parking Rates