

Chapter 5

Financing Strategies & Implementation

5.1 Capital and Operating Estimates

This chapter summarizes the capital and operating/maintenance cost estimates for the recommended parking management plan.

5.1.1 Operating Expense Estimate

As part of the analysis of the existing parking program, costs of operating and maintenance were estimated. These costs included enforcement, ticket and permit processing and capital (Segway) and vendor expenses (Clancy Systems). The City of Los Altos' current expenditures related to the parking program are summarized in Table 5-1.

Table 5-1 Current Parking Program Expenses and Revenues

Line Item	Annual (Equivalent)
District Maintenance	(\$ 16,200)
Citations & Permits:	
PCO (0.09 FTE)	(\$ 8,800)
Records (0.4 FTE)	(\$ 36,400)
Enforcement PCO (0.8 FTE)	(\$ 103,710)
Clancy Systems	(\$ 2,520)
Segway	(\$ 1,050)
Total Costs	(\$ 168,680)
Annual Permit Revenue	\$ 31,400
Annual Overtime Parking Citations (Revenue)	\$ 75,000
Net Program (Cost)/Revenue	(\$ 62,280)

Note: Detailed Labor rates, FTEs and base costs provided by the City of Los Altos, 2012.

Current parking program expenses total \$168,680. Additionally the parking program is pulling in approximately \$31,400 in permit revenue and \$75,000 in anticipated overtime parking violation revenue. The estimated net cost of the parking program is \$62,280.

Table 5-2 summarizes the estimated costs for the recommended parking management program outlined in Chapter 2. The capital, maintenance and operating costs for the next ten years reflect the anticipated labor, capital and potential revenues should the City of Los Altos elect to adopt the recommended management solutions. The costs include an annual escalation assumption to address increases in labor, capital and expense costs. Some of the existing parking program costs have been maintained and some have been integrated and adjusted based upon the program specifications.

Table 5-2 Ten Year Parking Management Program Costs and Revenue Proforma

Recommended Management Program	Calculation Detail		Estimated Costs & Revenues										Program Year			
			Annual Cost	Annual Revenue	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Existing Costs																
District Maintenance Costs			\$ (16,200)	0 \$	(16,200)	(16,605)	(17,020)	(17,446)	(17,882)	(18,329)	(18,787)	(19,257)	(19,738)	(20,232)	(20,737)	
Segway Depreciation			\$ (1,050)		(1,050)	(1,050)	(1,050)	(1,050)	(1,050)	(1,050)	(1,050)	(1,050)	-	-	-	
Total Costs			\$	\$	(17,250)	(17,655)	(18,070)	(18,496)	(18,932)	(19,379)	(19,837)	(20,307)	(19,738)	(20,232)	(20,737)	
Graduated Fines																
Anticipated Costs (Labor/PCO)	4		\$ (103,709)	\$	(103,709)	(107,857.15)	(112,171.44)	(116,658.30)	(121,324.63)	(126,177.61)	(131,224.72)	(136,473.71)	(141,932.65)	(147,609.96)	(153,514.36)	
Anticipated Costs (Labor/Citations)			\$ (56,500)	\$	(56,500)	(58,760.00)	(61,110.40)	(63,554.82)	(66,097.01)	(68,740.89)	(71,490.52)	(74,350.15)	(77,324.15)	(80,417.12)	(83,633.80)	
Anticipated Tickets Issued	1,700	100%														
County Court Fee	\$ 12.50															
Warnings	-	70%		\$	-											
2nd offense	\$ 54.50	8%		\$	5,712											
3rd offense	\$ 90.80	9%		\$	11,980											
4th plus offense	\$ 151.40	13%		\$	30,697											
Anticipated Fines Issued (normal)	\$ 75,000			\$	48,389	75,000	48,872.69	49,361.41	49,855.03	50,353.58	50,857.12	51,365.69	51,879.34	52,398.14	52,922.12	53,451.34
Net(Cost)/Revenue				\$	(85,209)	(117,744)	(123,920)	(130,358)	(137,068)	(144,061)	(151,350)	(158,945)	(166,859)	(175,105)	(183,697)	
Increased Permit Adoption & Permit Supply																
Paint & Signs			\$ (4,000.00)	\$	(4,000)	-	-	-	-	-	-	-	-	-	-	
Permit Labor			\$ (4,620.00)	\$	(4,620)	(4,804.80)	(4,996.99)	(5,196.87)	(5,404.75)	(5,620.94)	(5,845.77)	(6,079.60)	(6,322.79)	(6,575.70)	(6,838.73)	
Current Permit Fees	\$ 31,350	0%		\$	33,618.00	33,618.00	33,618.00	33,618.00	33,618.00	33,618.00	33,618.00	33,618.00	33,618.00	33,618.00	33,618.00	
Estimated New Permit Sales	100	\$ 36.00		\$	2,268.00	2,268.00	2,313.36	2,359.63	2,406.82	2,454.96	2,504.06	2,554.14	2,605.22	2,657.32	2,710.47	2,764.68
Net(Cost)/Revenue				\$	27,266	31,127	30,981	30,828	30,668	30,501	30,326	30,144	29,953	29,753	29,544	
All Day Permits																
Permit Education (labor)			\$ (4,000.00)	\$	(4,000.00)	(4,160.00)	(4,326.40)	(4,499.46)	(4,679.43)	(4,866.61)	(5,061.28)	(5,263.73)	(5,474.28)	(5,693.25)	(5,920.98)	
Permit Education (materials)			\$ (1,000.00)	\$	(1,000.00)	(1,029.00)	(1,058.84)	(1,089.55)	(1,121.14)	(1,153.66)	(1,187.11)	(1,221.54)	(1,256.96)	(1,293.42)	(1,330.93)	
Transaction fee (cost) (10%)	10%			\$	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	(30.00)	
All-Day Permit Fee (Revenue)	\$1.00	0%		\$	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	
Estimated All Day Permits	125	300														
Net(Cost)/Revenue				\$	(4,730)	(4,919)	(5,115)	(5,319)	(5,531)	(5,750)	(5,978)	(6,215)	(6,461)	(6,717)	(6,982)	
LPR Enforcement Technology																
LPR w/digital chalk	\$ (50,000.00)		\$ (80,000.00)	\$	(8,000.00)	(8,232.00)	(8,232.00)	(8,232.00)	(8,232.00)	(8,232.00)	(8,232.00)	(8,232.00)	(8,232.00)	(8,232.00)	(8,232.00)	
Enforcement Vehicle	\$ (30,000.00)															
PCO Efficiencies (240%)	240%			\$	48,388.80	48,388.80	72,583.20	84,680.40	96,777.60	106,455.36	116,133.12	116,133.12	116,133.12	116,133.12	116,133.12	
Net(Cost)/Revenue				\$	40,389	64,351	76,448	88,546	98,223	107,901	107,901	107,901	107,901	107,901	107,901	
Seasonal Valet Parking Program																
Valet Operator	4000		\$ (2,800.00)	\$	(2,800.00)	(2,870.00)	(2,941.75)	(3,015.29)	(3,090.68)	(3,167.94)	(3,247.14)	(3,328.32)	(3,411.53)	(3,496.82)	(3,584.24)	
Marketing Materials	900		\$ (1,200.00)	\$	(1,200.00)	(1,230.00)	(1,260.75)	(1,292.27)	(1,324.58)	(1,357.69)	(1,391.63)	(1,426.42)	(1,462.08)	(1,498.64)	(1,536.10)	
Net(Cost)/Revenue			\$ (4,000.00)	\$	(4,000)	(4,100)	(4,203)	(4,308)	(4,415)	(4,526)	(4,639)	(4,755)	(4,874)	(4,995)	(5,120)	
Total Net Program (Cost)/Revenue				\$	(43,534.00)	(48,940.70)	(43,879.25)	(39,106.73)	(37,054.09)	(35,313.86)	(43,576.27)	(52,176.49)	(60,077.99)	(69,394.77)	(79,091.36)	

Note: See Detailed Calculation Notes on following page.

The assumptions for each of the parking management program elements detailed in Table 5-2 are summarized below.

Growth Factors

1. City Labor is based on 2012 Employment Cost Index (BLS) 2.9% and 1% salary growth.
2. Capital is based on Construction Cost Index, 2.9% (<http://enr.construction.com/economics/>)
3. Fees/Expenses is based on Consumer Price Index, 2012, 2-3%.

Existing Parking Program

1. Assumes all other costs will be absorbed into the recommendations costs.
2. Assumes the City's Segway will be depreciated over the remainder of its useful life.
3. Assumes the continuation Clancy fee to cover on-line daily permit.

Graduated Parking Fees

1. Assumes 4 days/week enforcement to keep PCO labor costs the same.
2. Annual citation labor increased by 25% due to increase in protests.
3. Anticipated tickets based on 2012 ticket revenues.
4. Graduated ticket offenses assumed to decrease sharply after 2nd offense based on city's current parking ticket history (70% first ticket 8% 2nd ticket 9% 3rd ticket, 13% 4 plus tickets).

Permit Expansion & Adoption

1. Assumes \$4,000 cost to paint and install signs for expanded permit supply.
2. Records labor estimated by City, will remain the same for Permits (0.1269 FTE).
3. Estimated fees are based on the sale of permits to all employees that are currently reparking, plus current 2012 permit revenue.
4. 110 additional spaces will be added to the permit supply, more than 200 vehicles were observed reparking off street for over 5 hours total duration and were 100 identified as potential candidates to purchase annual/quarterly permits.

All Day Permits

1. Assumes an average of one hour a week effort – 50 weeks/year, \$80/hr.
2. Assumes 10% transaction fee from the operator (e.g. Clancy)
3. 481 vehicles were observed reparking both on and off street for over 5 hours total duration and were identified as potential employees (long term parkers), 26% (125) park on street and are more likely to purchase daily permits as needed.
4. Assumes conservatively that 300 permits are purchased per year.

LPR Technology

1. LPR with Digital Chalk and Vehicle Cost (\$50,000 + \$30,000) and depreciated over the 10-year operational estimate.
2. Based on a similar prior implementation (Napa, CA) it is estimated that the PCO should gain efficiency by becoming more targeted and spending less time ticketing overall.

Seasonal Valet

1. Costs for seasonal valet were developed from a City estimate of 7 days of valet operation and marketing materials.

With labor and benefit cost escalations over the next ten years the program costs would continue to grow even without the added benefit of optimizing the district supply with an improved parking program. It should also be noted that many of the new programs have added very little in the way of projected revenue to the program but do add more labor and capital because the City is adding more services and more employee permit parking. As a result, the City may need to consider some additional sources of funding to support this program. Potential funding sources and financing mechanisms are detailed in section 5.2.

5.2 Financing Mechanisms

The following summarizes potential financing mechanisms for parking improvements and additional parking supply within the parking district.

5.2.1 In-Lieu Fee Program

The cost of providing, operating and maintaining parking can be an expensive task for the City. One way of addressing these costs is to have an in-lieu fee mechanism, which would offer property owners the option of paying a fee to the City in-lieu of providing the required amount of parking on site. The fee would be based on the number of parking spaces required. In-lieu fee programs require balancing the cost of fees and the City's policy goals. An in-lieu fee program can discourage development if the costs are too high. Similarly, setting the costs too low can impede the City's ability to provide adequate parking. The specifics of an in-lieu fee program depend upon what the City's goals are for new development and the need for constructing new spaces. Since Los Altos' goal is for long range planning to fund a parking structure then an appropriately designed in-lieu fee program could represent a good funding source.

If the City wants effectively use in-lieu fees to support the development of parking, the fee must be low enough that developers are willing to pay the fee, but high enough that it is a significant source of funds to towards a new structure. A lower fee would not fully cover the cost of providing parking. A higher fee could potentially turn away development interest in the downtown also limiting the source of funds. A highly effective approach is when the City is able construct new parking in advance of the development. Then the developers essentially use the in-lieu fee to purchase their parking from the City, and the City receives full or partial reimbursement for its investment. Some cities have actually mandated that new development must participate in the program, as they don't allow new on-site parking. This is very effective where parcel sizes are small and on-site parking is not practical. The Town of Danville used this approach in its historic downtown district.

When adopting an in-lieu fee policy it is also important to ensure that all City requirements are followed. The City of Campbell adopted an interim in-lieu fee program in hopes of making it a

permanent policy. However, after three years the interim policy was instead abandoned, since the parking demand study, which was to act as a nexus to support the policy, was never completed.³⁶

5.2.1.1 Method of Collection

A parking in-lieu fee can be collected in one of two ways, charging a lump sum payment or an annual fee. Deciding between these options are dependent on several factors such as expected future development patterns, land use mix, policy goals, expenditures allowed, and whether the fee is charged to tenants or property owners.

In-lieu fees can be difficult to manage for small businesses and restaurants as they may have difficulties making a full lump sum in-lieu fee payment, which may deter new businesses, therefore allowing payments in installments may be the best option. However, if the fee is charged to tenants, from a collection standpoint, it may be riskier to charge the in-lieu fee annually because of the potential that they could break the lease and sever the cash flow.

In the case of purely new developments that have longer tenancy types, the goal of an in-lieu fee program would be to raise funds for parking construction, maintenance, and management. For these situations a lump sum payment would be the best approach as it provides funds for immediate use by the City.

5.2.1.2 In-Lieu Fee Rates

Setting the in-lieu fee rate is also dependent on some of the same factors as determining which method of collection to utilize and is generally based on a per square footage rate or a per space rate. The cities of Campbell and Redwood City have low fees of \$6,000 and \$10,000 respectively, which are used for district improvements not parking construction. Other nearby cities such as Mountain View, and Palo Alto, also utilize an in-lieu fee program, Mountain View charges \$26,000 per space, slight more than half the cost of a parking space and Palo Alto charges the highest of the cities at \$67,100 per space and collects the fee in a lump sum.³⁷

If Los Altos wants to use in lieu fees to both help provide new parking and encourage new development, the fee must be low enough that developers are willing to pay the fee, but high enough that it is a significant source of funds to towards a new structure. A reasonable fee would be about half the cost of construction of a parking space (e.g. Mountain View) and would be most likely to generate a reliable source of funds. A lower fee would not provide enough money to build an appreciable amount of parking (e.g. Campbell and Redwood City). A higher fee could potentially turn away development interest in the downtown, also limiting the source of funds (e.g. Palo Alto³⁸).

5.2.2 Parking Assessment District

As discussed in the parking management recommendations, an assessment could be used to fund parking related benefits in the parking district.

³⁶ Refer to Appendix 2A Parking Comparables.

³⁷ Refer to Appendix 2A Parking Comparables.

³⁸ The City of Palo Alto has not reported any participation in its in-lieu fee program at this time, Naszigar, M. (February 2013) Telephone Interview.

5.2.2.1 Assessments and Proposition 218

The passage of California Proposition 218 in 1996 had a major impact on assessment districts throughout the state. The tenet of Proposition 218 was that assessments needed the approval of the property owners through an actual voting process where over 50% of the property owners vote in support of the district, with their vote being weighted by the assessed valuation of their property. For the City to develop an assessment that is in compliance with Proposition 218, the following specific calculation provisions must be undertaken:

1. **Determine if a project or service provides Special Benefits.** The City would need to determine whether property owners would receive a special benefit, as a particular benefit to land and buildings, not a general benefit to the public or increase in property values. If a special benefit is not demonstrated, an assessment would not be allowed by Proposition 218.
2. **Estimate the amount of Special Benefit.** The City must use a professional engineer's report to estimate the amount of the special benefit property owners would receive from the project or service, as well as the general benefit. The City is only allowed to recoup from assessments only the proportionate share of costs to provide the special benefit.
3. **Set Assessment Charges Proportionally.** Finally, the City must set individual assessment charges so that no property owner pays more than his or her proportional share of the total cost (based on assessed valuation). This may require the City to set cost on a parcel by parcel basis. Also, government and other public properties would now be subject to the assessment.

An assessment may be developed to apply to all properties in the parking district and may be set up to pay for all parking related expenses in the district. The following benefits/improvements may be funded under the assessment based on review by the City's legal counsel and subsequent analysis in an engineer's report:

- Employee Parking Permits
- Development of new supply
- Improvement/enhancement of existing plazas
- Maintenance of District parking supply (Plaza and on-street)
- District landscaping and streetscape improvements
- Other district improvements
 - Bike racks
 - Pedestrian amenities (lighting, benches, etc.)
 - Wayfinding and information

5.2.3 Parking and Business Improvement Area (PBIA)

BIDs are a revitalization tool for commercial neighborhoods such as shopping malls and regional business districts. BIDs are public/private sector partnerships that promote individual business districts and provide a variety of economic development and promotional services.

The Parking and Business Improvement Area Law of 1989 (Streets and Highway Code 36500 et seq.) authorizes the formation of a district that provides parking related benefits. The law enables a city, county, or joint powers authority (made up of cities and/or counties only) to establish a BID and levy annual assessments on businesses within its boundaries. Improvements, which may be financed, include parking facilities, parks, fountains, benches, trash receptacles, street lighting, and decorations. Services that may be financed include promotion of public events, furnishing music in public places and promotion of tourism.

The law also allows financing of marketing and economic development, and various supplemental municipal services such as security and sanitation. The law does not allow bonds to be issued by the BIDs. PBIA's also termed as PBID's have been used quite frequently in Northern California Cities such as Palo Alto³⁹ and Davis and Southern California in the cities of Pasadena, La Mesa, Santa Barbara, El Cajon and San Diego to name but a few to promote and improve the business area. An excerpt of the San Diego BID process is provided in the side-bar.

The process of forming a BID is as follows:

1. The city must propose a new district by adopting a resolution of intention. The types of improvements and activities to be financed are specified at this time.⁴⁰
2. Public notice must be provided and a public hearing held.⁴¹
3. If not protested by a majority of affected businesses, the BID is established and an advisory board is appointed.
4. A BID may assess property according to zones of benefit, in relation to the benefit being received by businesses within each zone.⁴² Assessments must be directly proportional to the estimated benefit being received by the businesses upon which they are levied.
5. Business Improvement Districts assess property annually as long as the special improvements and activities are being financed.

BIDs within the City of San Diego receive assistance from the City's Office of Small Business in areas such as retail business recruitment, technical assistance, and the City's Storefront Improvement Program. Many BIDs receive funding through City grants and assessment matches and sources such as City Transient Occupancy Tax (TOT) and City parking meter revenues.

BID fees are set by the respective BID organization and are collected on an annual basis via the business tax certificate. Within San Diego, typical fees range from \$40 to \$500 annually. A few newer BIDs collect \$90 to \$1200 annually, with limited anchor businesses paying up to \$5000.

³⁹ City of Palo Alto BID Annual Report, 2011. (<http://www.cityofpaloalto.org/civicax/filebank/documents/29966>)

⁴⁰ Once formed, the BID is limited to those types of improvements or activities that were specified during formation.

⁴¹ Formation of a 1994 Act BID has stricter requirements including the mailing of individual notices to all business owners affected, in addition to public notices published in local newspapers.

⁴² No assessments under this law can be levied on residential properties or on land zoned for agricultural use.

5.2.4 Public Private Partnerships

Public-Private partnerships offer an opportunity for the City to reduce the required contribution to parking solution by leveraging the value of the public land being used for the parking plazas. The Downtown Los Altos Public Parking Plazas Opportunity Study, completed in 2009, studied the possibility of allowing private development on a portion of the parking plazas in exchange for financial contribution towards a structured parking solution.

5.3 Parking Revenues

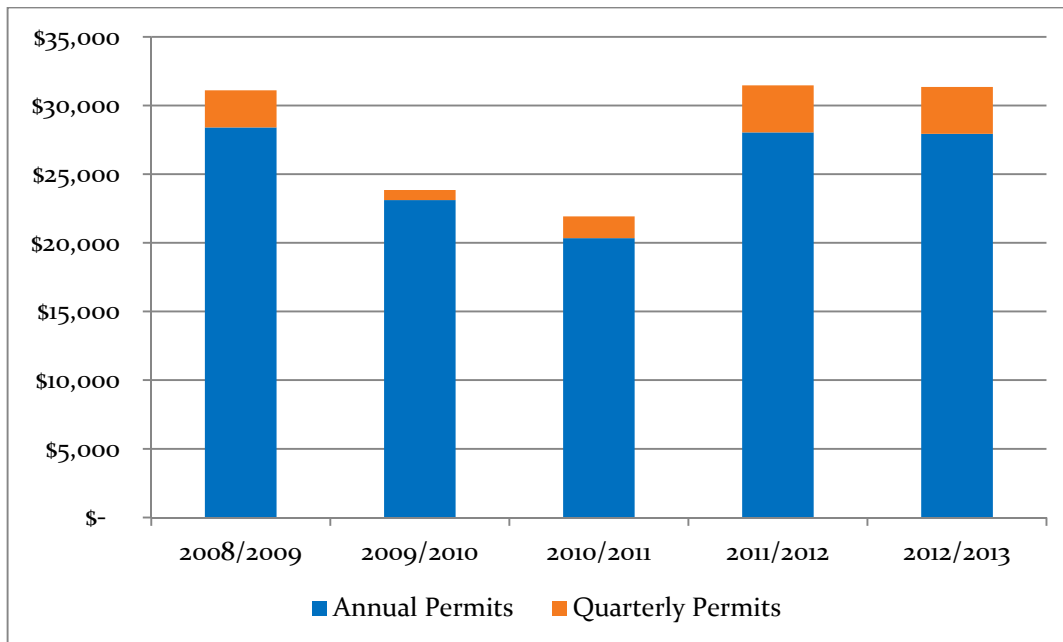
If the downtown businesses are not willing to pay assessments or pay the full amount needed through the BID, and/or in-lieu fees do not raise a significant enough revenue stream, then paid parking is the only other way to raise revenue to close the funding gap for parking improvements. The following sections summarize potential paid parking revenue sources.

5.3.1 Permit Fee Revenue

Currently the City provides the funds from the employee permits to the Los Altos Village Association (LAVA), who has used them in the past year to install and maintain the planters in the parking district.

These funds may be used toward other parking district improvements directed by the City. Revenue from permit fees over the past four years⁴³ are summarized in the Figure 5-1.

Figure 5-1 Estimated Annual Permit Revenue



⁴³ Partial permit revenue was provided for FY 2012/2013

5.3.2 All Day Parking Passes

Currently the City sells \$1 all day passes in books of 25. The parking management recommendations suggest that this be changed to an on-line all day pass. As part of the ten-year operational analysis, it was estimated that the all-day permits would cost between \$4,000 and \$6,000 for the City.

5.3.3 Paid Parking Revenue

It is not currently recommended that the City institute paid on-street parking for their current management system due to community opposition. However, it should be noted that paid parking could provide a significant revenue stream toward bridging the parking garage-funding gap. Table 5-3 shows potential annual revenues for a range of on-street parking rates based on existing occupancy levels.⁴⁴

Table 5-3 Estimated Annual Revenue Based on Current Daily Occupancy

Rate (\$/hr)	Parking Fees	O&M	Equipment	Net (Cost)/Revenue
\$0.50	\$250,000	\$50,000	\$34,800	\$166,000
\$0.75	\$339,000	\$50,000	\$34,800	\$254,000
\$1.00	\$428,000	\$50,000	\$34,800	\$343,000
\$1.25	\$517,000	\$50,000	\$34,800	\$432,000
\$1.50	\$605,000	\$50,000	\$34,800	\$520,000
\$1.75	\$694,000	\$50,000	\$34,800	\$609,000
\$2.00	\$783,000	\$50,000	\$34,800	\$698,000

Notes:

1. Assumed 248 weekdays and 52 Saturdays (9AM-6PM) of revenue days per year.
2. Roughly 29 multi-space meters (MSMs) would be needed to cover 235 on-street spaces.
3. Equipment Costs based on 29 - \$12,000 MSMs depreciated over 10 years.
4. O& M costs estimated at \$50,000 annually.

⁴⁴ Equipment, operation, and maintenance costs were estimated assuming the city would own operate and maintain the system. Other options include leasing and contracting with a third party.