TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT
DATE: JULY 22, 2002
SUBJECT: INCREASED PARKING IN-LIEU FEE

This is an informational staff report. No Council action is required.

BACKGROUND
The in-lieu parking fee ordinance (PAMC 16.57) was enacted by Council in January 1995. This ordinance allows certain nonresidential development within the boundaries of the downtown assessment district to pay a fee instead of providing the normally-required off-street public parking. The collected fees are to be used to help offset the costs of any new public parking facilities constructed in the assessment district. Only certain properties may qualify to pay this fee as defined in PAMC 18.49.100(d) (Attachment A). This fee was proposed and adopted after Council adopted new regulations for the CD zoning district in 1986. In 1995, the fee was initially calculated to be $17,800 per parking space, based on a comprehensive study of the cost of parking structures in various Bay Area cities and the possible locations and types of facilities that might be built in downtown Palo Alto.

In October 1998, Council approved revisions to PAMC 16.57. New parking structures for Lots S/L and R were under consideration and the projected cost per space of the new structures was substantially higher than the existing in-lieu fee. One revision was to increase the parking in-lieu fee in the event that the Council approved a new public parking garage. As stated in the findings for the revised ordinance, it was Council’s intent that the amount of the fee equal the full cost of providing the required number of parking spaces in any new parking structures. The revised ordinance also increased the fee to $30,250 per parking space, reflecting the estimated cost per net new parking stall of the highest-cost structure under consideration at that time. The fee is updated annually per the construction cost index for the San Francisco Bay Area as published in the “Engineering News Record”, the McGraw Hill Construction Weekly. The current in-lieu parking fee is $32,898 per parking space.
DISCUSSION
According to PAMC 16.57.030, the fee must be recalculated at the time the construction contract for a new parking facility is awarded. The recalculated fee must be based on the actual incurred design costs to that point, plus the construction cost and authorized contingency, based on the construction contract award. (A second recalculation must take place after the project is completed, based on the actual incurred design and construction costs.)

City Council approved two new parking structures on Lots S/L and Lot R. Both garages were designed at the same time and a single construction contract was awarded on April 15, 2002 to build both garages simultaneously. Construction began on May 20. In the event that more than one project is undertaken, PAMC 16.57.030 requires that the in-lieu fee be based on the highest cost per net new parking space. In this case, both garages were designed and constructed under one contract (in part, to keep costs lower), so the in-lieu fee has been calculated based on the combined costs divided by the combined net new parking spaces.

The attached spreadsheet provides a recalculation of total cost as described PAMC 16.57.030. The total cost includes design costs plus design contingencies, the construction bid with authorized contingency, plus all related staff and administrative costs up through the award of the construction contract. The total cost as calculated above is $36,358,558. The number of net new parking spaces for both facilities (new garage spaces minus existing spaces lost on the lots) is 713. The cost per net new space is therefore $50,994 (total cost/net new parking spaces). The updated fee represents a 55 percent increase over the existing fee of $32,898. No Council action is required for this increase to take place.

TIMELINE
The effective date of the increased in-lieu parking fee will be August 15, 2002. Information regarding the updated fee was made available at the Development Center on July 15, 2002.

ATTACHMENTS
A. PAMC Section 18.49.100
B. Parking Structures R and S/L Costs as of Award of Construction Contract
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cc: Tracy Hutchison, President, Chamber of Commerce  
Chamber of Commerce Parking Sub-committee