



**TO: HONORABLE CITY COUNCIL**

**FROM: CITY MANAGER** **DEPARTMENT: PLANNING & DEVELOPMENT SERVICES**

**DATE: OCTOBER 5, 2021** **ID# 12348**

**SUBJECT: AGENDA ITEM NO. 2 - Modifications to University Avenue and California Avenue Parking Policies to Expand Eligibility for City Garage Parking Permits and Update Parking Permit Fees, Modify the Downtown and Evergreen Park Mayfield Residential Preferential Parking (RPP) Programs to Reduce Employee Parking in these RPP Districts and Update RPP Permit Fees, and Develop a Parking InLieu Program for the California Avenue Business District (Continued From November 9, 2020)**

This memo supplements the Finance Committee’s October 5<sup>th</sup> staff report and is intended to provide additional background on the California Avenue parking challenges and how it relates to future parking policy direction identified in that report.

California Avenue Assessment District

Since the 1970s until a few years ago, property owners within the California Avenue Assessment District paid an annual assessment to pay off bonds used to finance parking improvements in the area. Development within this assessment boundary benefit from reduced parking requirements (compared to the rest of the City) and owners were allowed to buy into the program when a new use required additional parking. This ‘in-lieu’ payment concept is akin to the downtown in-lieu program but regulatorily different. Where the Downtown in-lieu program continues, the California Avenue program ended when the bond was paid. The California Avenue Assessment District is simply no longer extant. Accordingly, there is no mechanism in place today for the City to receive payment for – or for property owners to request – in-lieu parking on California Avenue. The inability to offset parking requirements for new uses or development through fee payment has frustrated some property managers and owners and essentially freezes in place a baseline level of land use and land use intensity along California Avenue. For instance, similarly parked land uses can only replace similarly parked land uses and not land uses that require more parking

spaces. Retail can replace retail, but restaurant cannot replace retail because it has a higher parking standard.<sup>1</sup>

The table below provides a summary of permitted and conditionally permitted uses in the California Avenue area and their associated required parking requirements:

Land Use	Typical Parking Requirement (not including Downtown)	California Avenue Assessment District Boundary
Commercial recreation (>5K=CUP)	1 space / 4-person capacity	same
Personal Service	1 space / 200 square feet	1 space / 450 square feet
Retail (intensive: i.e.; shoe store)	1 space / 200 square feet	1 space / 240 square feet
Retail (extensive: i.e.; furniture store)	1 space / 350 square feet	same
Restaurant	1 space / 60 square feet (plus 1 / 200 SF for other areas)	1 space / 155 square feet

If the Council finds the existing mix and intensity of land uses sufficient and appropriate for California Avenue, then no changes are needed to these parking requirements. The current policy will limit any significant changes in the type or intensity of land uses and discourage redevelopment or new construction in California Avenue. Lot consolidation is challenging and would likely be required for any significant redevelopment to meet off-site parking requirements. If there is no change to the status quo, the Council's deliberation on the City's parking policies as provided in the October 5<sup>th</sup> staff report can continue without consideration of any intensification on California Avenue.

However, if the Council is interested in some allowance for a change in land use intensity on California Avenue, there are some policy considerations that should be factored in the broader parking policy discussion. Below are some options for the Finance Committee to consider:

#### Land Use and Parking Options – Former California Avenue Assessment District

1. *Blended Parking Rate*. This approach would establish the same parking requirement for a certain set of land uses in order to allow for continued interchangeability of uses, such as retail, restaurant, personal service. For example, the parking requirement for all these

<sup>1</sup> The former California Avenue Parking Assessment District's parking requirements addressed a variety of land uses, including financial institutions and office. For the purpose of this memorandum and the associated parking policy program, staff will focus on ground floor, retail and retail-like land uses on California Avenue; commercial office is not the focus or intent of the discussion points in this memorandum.

uses could be changed to 1 space / 200 square feet. This policy would facilitate timely land use conversions enabling property owners and managers to respond more quickly to economic market conditions and reduce tenant space vacancies; however, the implications of this policy could be profound in the California Avenue area without an aggressive and comprehensive parking policy program. A blended parking rate for California Avenue could result in many more restaurant conversions and expansions, which typically required more parking space and may strain parking resources during peak periods. Staff does not recommend this policy option at this time.

2. *Formal Parking In-Lieu Program.* Downtown (University Avenue) has an in-lieu parking program that creates an opportunity for a property owner to pay an in-lieu fee instead of providing parking spaces otherwise needed onsite for a new development or change in land use. Payment is made through an in-lieu parking fee that adjusts annually through changes in the construction index and set at the completion of any City parking garages. The current fee is approximately \$116,000 per space. The owner paying for an in-lieu parking space does not get dedicated access to parking spaces in any City garage and is not guaranteed any parking space will be available. The fee satisfies the zoning requirement for required parking and the money is used to help pay for public parking within the district.

Establishing an in-lieu parking program for California Avenue is feasible and requires considerable City resources for stakeholder engagement, analysis, legal support and administration. Understanding existing and future parking demand based on the desired number of new parking spaces anticipated and the effectiveness and commitment to parking policies for the California Avenue would factor into a study that would begin to define the program, its regulatory structure and ultimate fee.

There are many details that would need to be understood and addressed before establishing a formal program. Moreover, if the cost for an in-lieu fee is similar to the cost for the Downtown program, it is not anticipated a similar program would be successful in California Avenue. The ability to pay over \$100,000 for one parking space for a typical restaurant owner is not feasible given the relatively low margins associated with the industry. Also, retail to restaurant conversions likely require several parking spaces further increasing the fee. Property owners would similarly be less motivated to pay the in-lieu parking expense as their return on cost would likely be too low. If there were Council interest in advancing this program, an initial understanding would be needed on the proposed parking requirements for the various land uses in the California Avenue area.

At this time, staff does not recommend this option.

3. *Subscription In-Lieu Program.* Information on this option is provided in the October 5th Finance Committee report and is an option that staff conceptually supports, though a considerable amount of research is needed should the Finance Committee and Council support this alternative. In summary, the subscription in-lieu program would apply to existing buildings and land uses on the ground floor with frontage or access to California Avenue. The program could be used to off-set the zoning standard parking requirement. Similar to the in-lieu parking program for University Avenue, participants would not be guaranteed or assigned any public parking spaces and there would be a fee required. However, unlike University Avenue, the fee, conceptually, would be set at a more attainable level such that a restaurant tenant or property owner could sustain an ongoing subscription for required parking spaces to accommodate a change in land use. If the more intense use gives way to a less intense use, the entity paying for the subscription could cancel relieving the party of future payments.

As noted in the staff report, depending on other parking strategies the Council ultimately adopts, staff anticipates the new parking garage could potentially accommodate up to 100 parking spaces in this subscription program. The principal reason for adopting this policy is to facilitate or encourage more restaurants on California Avenue. However, the Council may have other policy interests where such a program combined with other policy changes, such as encouraging other activities on California Avenue such as educational, community center, or entertainment uses, may warrant continued consideration. Importantly, there is not a model for this program in the City's current regulatory framework and significant staff analysis is required, including legal review, land use analysis and determining how to set the subscription fee in compliance with Proposition 26. Because of the significant work effort and potential implications for California Avenue specifically, and the City's overall approach toward a parking policy generally in this area, staff would need Council direction to further explore this option.

## **Summary**

If the Finance Committee or Council are not interested in land use policy changes for California Avenue, then the deliberation on the City's parking policy solutions for the California Avenue area does not need to consider allocating 100 or so spaces to facilitate more intense uses (restaurants) on California Avenue.

If there is interest to accommodate some land use intensification on California Avenue, the subscription based in-lieu parking program may provide a way to meter those conversions in a

manner that supports other parking policy interests in the neighborhood without negatively impacting parking resources.

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