



Date: December 3, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Mark D. Ahrendsen, Director of Transportation
Subject: Ground Lease Agreement between CPGPI Regency Erwin and the City of Durham

Executive Summary

The purpose of this item is to enter into a lease agreement with CPGPI Regency Erwin, LLC for a surface parking lot on Ninth Street to provide public parking. The City has leased this parking lot from SEHED II, Ltd. since 1985 for an annual lease payment equal to the sum of the utility expense to light the parking lot and the City and County ad valorem taxes on the property (approximately \$3,000 per year). This lease agreement was terminated in May 2012 and the property was sold. The current owner, CPGPI Regency Erwin, LLC ("Regency") has agreed to lease the parking lot to the City for a term of 10 years commencing on March 1, 2014 at a monthly base rent rate of \$6,875 for years 1 through 5 and \$7,291.33 per month for years 6 through 10. The lease agreement allows the City to continue to make the lot available for public parking.

Recommendation

Staff recommends that City Council authorize the City Manager to execute a Ground Lease Agreement with CPGPI Regency Erwin, LLC for a surface parking lot on Ninth Street for a term of 10 years at a monthly base rent rate of \$6,875 for years 1 through 5 and \$7,291.33 per month for years 6 through 10. It is also recommended that a charge of \$1.00 per hour be imposed to park in this lot. It is further recommended that the City Council authorized a two hour limitation on parking time on Ninth Street between Main and Hillsborough, on Iredell Street from Main to Hillsborough, Broad Street from Main to Hillsborough and Perry Street from Ninth to Broad.

Background

The City leased the subject parking lot on Ninth Street from SEHED II, Ltd. beginning in 1985. The 46 parking spaces in this lot have served to help meet the parking needs of Ninth Street businesses. The spaces are time limited to 2 hours and there is no charge to park in these spaces.

The lease arrangement with SEHED II, Ltd. was terminated in May 2012 and the property was sold. The current owner of the property, CPGPI Regency Erwin, LLC, has allowed public parking in this lot to continue on an interim basis and is now offering to lease the parking lot at market rates.

The Ninth Street Parking Study found that this parking lot was heavily utilized at all times observed (weekdays, evenings, weekends) and has recognized the importance of this lot to

the businesses located along Ninth Street and has recommended that the City lease the parking lot and impose a charge of \$1 per hour to park in this lot. The Ninth Street Parking Study further recommended that the City begin to charge for on street parking in the Ninth Street area at such time as charging for on street parking in the Downtown area was begun.

Issues and Analysis

The proposed ground lease agreement between the City and Regency is to lease the 46 space parking lot on Ninth Street for a term of 10 years commencing on March 1, 2014 at a monthly base rent rate of \$6,875 for years 1 through 5 and \$7,291.33 per month for years 6 through 10, pursuant to the terms and conditions outlined in the attached lease agreement. In addition to some maintenance obligations for the parking facility, the City will also be responsible for payment of "impositions" representing direct costs or fees charged by public authorities against the parcel of land upon which the parking facility is located, such as property tax for the parcel of land. The monthly rental rate is deemed reasonable due to the property's proximity to the Ninth Street business district.

The landlord is responsible for routine maintenance of the parking lot including overhead lighting, snow and ice removal, sweeping, cleaning and landscape maintenance and pavement repair and striping. The City is responsible for the initial cost of milling and repaving the parking lot (at an actual cost that must be less than \$30,000), and for the collection of revenue associated with any fees that may be imposed to park in this parking lot. Such fees are subject to approval by City Council.

If a decision is made to impose a fee to park in the Ninth Street parking lot and to impose time limits for parking on other streets in the Ninth Street area, the parking fee ordinance would need to be amended, a pay station would need to be purchased and installed in the lot and the parking management agreement with Lanier Parking Solutions would need to be amended to provide for the management and enforcement of parking in this lot and on other streets in the Ninth Street area. It is expected that these activities could be completed before the March 1, 2014 commencement date of the lease agreement.

Alternatives

1. Execute the lease agreement; continue to provide two hour free parking and make no changes to on street parking in the Ninth Street area.
2. Execute the lease agreement; impose a fee of \$1 per hour between the hours of 8 AM and 7 PM, Monday – Friday to park in the lot and make no changes to on street parking in the Ninth Street area.
3. Execute the lease agreement; impose a fee of \$1 per hour between the hours of 8 AM and 7 PM, Monday through Friday and implement 2 hour time limits between the hours of 8 AM and 6 PM, Monday through Friday to park on streets in the Ninth Street area.
4. Execute the lease agreement; impose a fee of \$1 per hour between the hours of 8 AM and 10 PM, seven days a week and make no changes to the on street parking in the Ninth Street area.
5. Execute the lease agreement; impose a fee of \$1 per hour between the hours of 8 AM and 10 PM, seven days per week and implement 2 hour time limits between the hours of 8 AM and 10 PM, seven days per week to park on streets in the Ninth Street area.
6. Execute the lease agreement; impose a fee of \$1 per hour between the hours of 8 AM and 7 PM, Monday through Friday and impose a fee of \$1.25 per hour between the hours of 8 AM and 6 PM to park on the streets in the Ninth Street area.
7. Do not execute the lease agreement. In which case the owner may charge for parking on the lot or not allow public parking.

Financial Impact

The cost of the lease agreement for FY 2013-14 with a March 1, 2014 commencement date is estimated at \$28,529.67. The cost of the lease agreement in succeeding years is estimated at \$85,589.00 (including estimated impositions (e.g., property tax)) per year for years 1 through 5 and \$90,585.00 (including estimated impositions (e.g., property tax)) per year for years 6 through 10.

The estimated cost for the management and enforcement of parking in the Ninth Street lot and on other streets in the Ninth Street area for the alternatives described above is provided in the following table. These costs are proportionately higher for the alternatives with extended hours of management and enforcement due to the inability to share such costs during these extended hours with Downtown Parking personnel.

The Ninth Street Parking Study recommends the imposition of a parking fee of \$1.00 per hour between the hours of 8:00 am and 7:00 pm Monday through Friday to park in the Ninth Street parking lot with this fee increasing by 20% in FY 2017-18 and FY 2022-23, respectively and the imposition of time limits for parking on streets in the Ninth Street area. The imposition of on street parking time limits is important to encourage longer term parking to use the paid lot. The parking study also recommends the imposition of a parking fee of \$1.25 per hour for on street parking at a future date with this fee also increasing by 20% in FY 2017-18 and FY 2022-23.

The estimated revenue for the alternatives described above is provided in the following tables

	Parking Lease	Parking Revenues	Net Difference
FY14	\$ 28,529.67	\$ 15,333.33	\$ (13,196.34)
FY15	\$ 85,589.00	\$ 46,000.00	\$ (39,589.00)
FY16	\$ 85,589.00	\$ 46,000.00	\$ (39,589.00)
FY17	\$ 85,589.00	\$ 46,000.00	\$ (39,589.00)
FY18	\$ 85,589.00	\$ 55,200.00	\$ (30,389.00)
FY19	\$ 87,254.33	\$ 55,200.00	\$ (32,054.33)
FY20	\$ 90,585.00	\$ 55,200.00	\$ (35,385.00)
FY21	\$ 90,585.00	\$ 55,200.00	\$ (35,385.00)
FY22	\$ 90,585.00	\$ 55,200.00	\$ (35,385.00)
FY23	\$ 90,585.00	\$ 66,240.00	\$ (24,345.00)
FY24	\$ 60,390.00	\$ 44,160.00	\$ (16,230.00)
Total	\$880,870.00	\$ 539,733.33	\$(341,136.67)

The estimated costs and revenues of the aforementioned alternatives over the 10 year period of the proposed lease agreement for the Ninth Street parking lot are provided in the table below:

Alternative	Costs		Revenue		Net Cost
	Parking Lease	Management & Enforcement	Parking Revenue	Citation Revenue	

1	\$ 880,870	\$ 196,038	-	-	\$ (1,076,908)
2	\$ 880,870	\$ 206,038	\$ 235,750	\$ 22,369	\$ (828,789)
3	\$ 880,870	\$ 336,514	\$ 471,500	\$ 507,972	\$ (237,911)
4	\$ 880,870	\$ 1,162,505	\$ 235,750	\$ 75,449	\$ (1,732,175)
5	\$ 880,870	\$ 1,238,874	\$ 707,250	\$ 685,855	\$ (726,639)
6	\$ 880,870	\$ 536,514	\$ 2,437,000	\$ 507,973	\$ 1,527,589

The Parking Fund is currently subsidized by property taxes through the Debt Service Fund. The Downtown Parking Study projects the Parking Fund will be financially solvent in ten years but will continue to be subsidized until then. Therefore, while charging to park in the Ninth Street parking lot would reduce the net cost of the lease agreement, any such net cost associated with this agreement would increase the subsidy to the Parking Fund.

The cost of a pay station for the Ninth Street parking lot is estimated at \$20,000 and the estimated cost of the milling and resurfacing of this lot is estimated at less than \$30,000.

Sufficient funding is available in the Parking budget to pay for the lease of the Ninth Street parking lot in FY 2013-14 and for the cost of the pay station and milling and resurfacing of the parking lot. Lease payments and parking management and enforcement costs will need to be included in the parking budget for subsequent years, and as noted above, any subsequent net costs would require additional General Fund subsidy.

SDBE Summary

SDBE Requirements are not applicable to this lease agreement.

Attachments

1. Ground Lease Agreement