



Date: February 14, 2014

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 City of Durham and Ordinance to Change Parking Fees – Supplemental Information

Executive Summary

A lease agreement with CPGPI Regency Erwin, LLC for a surface parking lot on Ninth Street to provide public parking and an ordinance to establish an hourly rate to park in the lot was discussed by City Council at a work session on February 6, 2014. Representatives of the Ninth Street Merchants Association also presented a memo to City Council members regarding improvements and parking in the 9th Street Business District (copy attached). Among the issues discussed were the timing of the parking lot improvements, employee parking, improvements to Alley 8 to provide a better pedestrian connection between Ninth Street and Iredell Street and a grant program for Ninth Street business owners.

In response to these concerns, a revised ground lease agreement that maintains a March 1, 2014 commencement date but delays the start of monthly lease payments to June 1, 2014 has been prepared. The landlord is further responsible for completing facility improvements (milling, resurfacing and striping parking spaces) before lease payments begin (June 1, 2014). The ordinance to set fees for parking in the Ninth Street lot is revised to be effective June 1, 2014 (commencement of lease payments).

Additional information regarding employee parking, improvements to Alley 8 and a grant program for Ninth Street business owners is also provided.

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 pursuant to the terms of the Ground Lease Agreement, which include a commencement date of March 1, 2014 and a primary term of 63 months at an initial monthly base rent of \$6,875 beginning June 1, 2014. It is also recommended that City Council approve an ordinance to change parking fees imposing a rate of \$1.00 per hour effective June 1, 2014 to park in the Ninth Street lot between the hours of 8:00 a.m. to 7:00 p.m., Monday through Friday. It is further recommended that parking on Ninth Street, Iredell Street and Broad Street, between Main and Hillsborough and on Perry Street between Ninth and Broad be limited to two hours.

Background

The City leased the 46 space parking lot on Ninth Street from SEHED II, Ltd. beginning in 1985. Spaces are time limited and there is no charge to park in these spaces.

The lease agreement 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.

Issues and Analysis

The revised ground lease agreement between the City and Regency for the 46 space parking lot on Ninth Street is for an initial term of 63 months commencing on March 1, 2014 with a monthly base rent of \$6,875 beginning June 1, 2014 and with two additional five year options. The landlord is responsible for milling, resurfacing and striping the parking lot prior to June 1, 2014 with reimbursement from the City in an amount not to exceed \$30,000.

The City is responsible for the purchase and installation of a pay station in the Ninth Street lot, the collection of revenue to park in the lot subject to fees imposed by City Council and for the management and enforcement of parking in this lot and on other streets in the Ninth Street area.

The Ninth Street Parking Study recommended the consideration of an employee parking program that would allow employee parking on Iredell Street without regard to time limits. Upon further consideration staff is concerned that such a program may be unworkable or difficult to administer and may result in Ninth Street area employees occupying all the parking spaces on Iredell Street thereby leaving no on street parking for Ninth Street area customers.

Over the next 90 days the City will work with Ninth Street merchants to quantify the scope of the employee parking concerns (i.e., how many spaces are needed for employees of Ninth Street merchants and how many merchant controlled spaces are available for employees, etc.) and explore ways to address these concerns (e.g., consider options for employee parking in nearby lots, shared parking among Ninth Street merchants, etc.).

The Ninth Street Parking Study consultant has provided a preliminary cost estimate of \$200,000 for improvements to Alley 8. Duke University is also developing plans for improvements to this alley. The City will continue to work with Duke University to develop plans for implementing improvements to Alley 8 to provide a better pedestrian connection between Ninth Street and Iredell Street.

The Office of Economic and Workforce Development (OEWD) plans to bring forth a policy amendment for a grant program in April 2014 for the Ninth Street business owners. The planned program would be a matching grant Retail and Professional services grant program, which is similar to a matching grant program that the City Council has already approved for Downtown and OEWD's Targeted Community Development Commercial Corridors and targeted suburban areas. The targeted areas were approved by City Council in 2006 and 2011. If this policy amendment were approved and Council approved for the Administration to move forward with the implementation of the program in the Ninth Street District in FY15, Council would need to approve funding for the program in the FY15 budget. Although a grant program amount would be contingent upon ensuring that costs for parking and streetscape construction are covered as part of the incremental tax revenue, based upon deal points reviewed by the City Council in 2012, it is estimated that approximately \$100,000.00 would be allocated for a program in FY15 if the policy amendment were approved.

Financial Impact

The net cost of the recommendation to execute the lease agreement, impose a fee of \$1.00 per hour between the hours of 8:00 a.m. and 7:00 p.m., Monday through Friday and implement two hour time limits between the hours of 8:00 a.m. to 6:00 p.m., Monday through Friday to park on streets in the Ninth Street area is estimated at \$120,443 over the five year period of the proposed lease agreement for the Ninth Street parking lot during which monthly payments are made (average of \$24,089 per year).

The cost of the lease agreement for FY14 is estimated at \$6,875. The cost of the lease agreement in succeeding years is estimated at \$85,589.00 per year (including property tax). The cost of milling, resurfacing and striping the parking lot in an amount not to exceed \$30,000 is also expected to occur in FY14. The cost of the pay station is estimated at \$20,000.

Sufficient funding is available in the Parking budget to pay for the lease of the Ninth Street parking lot in FY14 and for the cost of the pay station and milling and resurfacing the parking lot. Lease payments and parking management and enforcement costs will need to be included in the Parking budget for subsequent years and any net costs would require General Fund subsidy.

In addition to these cost estimates, it is estimated that approximately \$100,000.00 would be recommended by the Administration to fund a grant program in FY15.

Attachments

1. Revised Ground Lease Agreement
2. Revised Ordinance to Change Parking Fees
3. Information Provided by Ninth Street Merchants Association at the February 6, 2014 Council Work Session