



Date: January 16, 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 the City of Durham and Ordinance to Change Parking Fees

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 and to approve an ordinance to establish an hourly rate to park in the lot. 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 an initial term of 5 years commencing on March 1, 2014 at a monthly base rent rate of \$6,875 during the initial term, with two (2) additional five (5) year options to extend the term of the agreement for a total potential term of 15 years. The lease agreement allows the City to continue to make the lot available for public parking.

The recently completed Ninth Street Parking Study recommends charging to park in this lot. Accordingly, the attached Ordinance to Change Parking Fees establishes a rate of \$1.00 per hour to park in the lot between the hours of 8:00 am and 7:00 pm, Monday through Friday. This Parking Study also recommends the imposition of time limits for on-street parking in the Ninth Street area. Accordingly, it is further recommended that two hour time limits be imposed to park on Ninth, Iredell and Broad Streets between Main and Hillsborough and Perry Street between Hillsborough and Broad.

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 attached lease agreement, which includes an initial term of 5 years at a monthly base rent rate of \$6,875. It is also recommended that City Council approve an Ordinance to Change Parking Fees imposing a rate of \$1.00 per hour to park in this lot between the hours of 8:00 am and 7:00 pm, Monday through Friday. It is further recommended that parking on Ninth Street between Main and Hillsborough, Iredell Street from Main to Hillsborough, Broad Street from Main to Hillsborough and Perry Street from Ninth to Broad be limited to two hours.

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 an initial term of 5 years commencing on March 1, 2014 at a monthly base rent rate of \$6,875 during the 5-year initial term, with two (2) additional five (5) year options, 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.

A pay station will need to be purchased and installed in the Ninth Street parking lot to collect hourly revenue and the parking management agreement with Lanier Parking Solutions will need to be amended to provide the management and enforcement of parking in this lot and on other streets in the Ninth Street area.

The imposition of time limits to park on the streets in the Ninth Street area is important to encourage greater turnover and short-term parking on street and increased utilization and longer term parking in the Ninth Street lot. The Ninth Street Parking Study recommended the imposition of fees for on street parking for approximately 150 spaces in the Ninth Street area to further encourage turnover of on street spaces and increased utilization of the Ninth Street lot as well as additional revenue to support parking activities in the Ninth Street area.

Alternatives

Recommendation: 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.

Alternative 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.

Alternative 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.

Alternative 3: 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.

Alternative 4: 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.

Alternative 5: 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 150 on street spaces in the Ninth Street area (effective July 1, 2015).

Alternative 6: 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 net cost of the recommendation to execute the lease agreement, impose a fee of \$1.00 per hour between the hours of 8:00 am and 7:00 pm, Monday through Friday and implement 2 hour time limits between the hours of 8:00 am and 6:00 pm, Monday through Friday to park on streets in the Ninth Street area is estimated at \$120,443 over the 5 year period of the proposed lease agreement for the Ninth Street parking lot (average of \$24,089 per year).

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.

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 recommendation and 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 cost for the purchase and installation of meters/pay stations to provide for paid on street parking is reflected in Alternative 5 in the table below.

In accordance with the recommendation of the Ninth Street Parking Study, the hourly fee to park in the Ninth Street lot and to park on street (Alternative 5) is assumed to increase by 20% in FY 2017-18.

The estimated costs and revenues of the aforementioned recommendation and alternatives over the 5 year period of the proposed lease agreement for the Ninth Street parking lot are provided in the table below:

	Costs		Revenue		
	Parking Lease	Management & Enforcement	Parking Revenue	Citation Revenue	Net Cost
Recommendation	\$429,055	\$165,684	\$237,667	\$236,629	(\$120,443)
Alternative 1	\$429,055	\$83,013	\$0	\$10,577	(\$501,491)
Alternative 2	\$429,055	\$107,468	\$101,967	\$10,577	(\$423,980)
Alternative 3	\$429,055	\$534,225	\$178,250	\$35,689	(\$749,340)
Alternative 4	\$429,055	\$568,299	\$356,500	\$339,401	(\$301,453)
Alternative 5	\$429,055	\$365,684	\$813,617	\$107,270	126,148

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
2. Ordinance to Change Parking Fees