



THE CITY OF SAN DIEGO
Redevelopment Agency's Report

DATE ISSUED: January 22, 2003 REPORT NO. RA-03-01

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of January 28, 2003

SUBJECT: North Park Public Parking Facility

REFERENCE: Executive Director's Report No. RA-02-20, dated September 18, 2002
Executive Director's Report No. RA-02-06, dated April 17, 2002

SUMMARY:

Issue - Should the Redevelopment Agency Authorize the Executive Director to Negotiate a Disposition and Development Agreement (DDA) with Five Star Parking for the development of a parking facility for approximately 300-400 vehicles in the community of North Park?

Executive Director Recommendations –

Direct the Executive Director to negotiate a Disposition and Development Agreement (DDA) with Five Star Parking for the development of a parking facility in the community of North Park.

Other Recommendations - On January 14, 2002, the North Park Project Area Committee (PAC) will consider a motion regarding staff's recommendation. The PAC's recommendation will be reported to the Agency during the hearing of January 28.

Fiscal Impact – Total development costs are estimated to be approximately \$7,545,000. Funds in the amount of \$2,800,000 are available from the proceeds of the North Park Tax Allocation Bonds, Series 2000. The developer proposes to finance and construct the proposed facility to meet Agency objectives. Once completed, the Agency will lease the facility for a term of 25 years. The lease payment will be calculated as a fully amortized return on developer investment based on the total development costs less Agency equity contribution. At the conclusion of the lease term, the facility will be conveyed to the Agency without additional cost. It is proposed that Five Star Parking will operate the facility and the ground floor retail under the terms of a market rate management contract.

Environmental Impact – The activity is exempt from CEQA pursuant to Section 15061(b)(3) of the State CEQA Guidelines (“General Rule”). This determination is predicated on Section 15004 of the Guidelines, which provides direction to lead agencies on the appropriate timing for environmental review. Implementation of the proposed project will require further environmental review under the provisions of CEQA.

Traffic Impacts

None with this action. Evaluation of potential traffic impacts will be made prior to consideration by the Agency of a draft DDA.

BACKGROUND:

On April 23, 2002, the Redevelopment Agency and the City Council of the City of San Diego approved a Disposition and Development Agreement (DDA) for the renovation of the historic North Park Theatre at 2891-2899 University Avenue. The DDA defines obligations of both the Redevelopment Agency and developer in implementation of the agreement’s goal of completing an historically sensitive seismic retrofit and renovation of the theatre for use as a live-performance venue. To serve the renovated theatre, associated restaurant and office space, and the community at large, the Agency also approved the development of a public parking lot adjacent to the theatre to accommodate approximately 75 vehicles. The DDA also addresses the need for parking to serve an 800-seat performance venue and calls for the preparation of a study to assess the feasibility of financing a public parking garage of approximately 400 spaces in the immediate vicinity of the North Park Theatre. In the event that the Agency determines that the development of 400 public parking spaces is not financially feasible, the DDA provides that the developer shall no longer be obligated to lease the theatre solely to live-performance tenants, but may lease the space for any use permitted by current zoning with written approval of the Executive Director.

On September 24, 2002, the North Park Parking Facility Feasibility Study, prepared by consultants Whitted Dawson and Associates, was presented before the Agency. The study documented the need for a public parking facility in North Park, estimated the approximate cost of construction and anticipated parking revenues. The report further described conditions that would support the financing of such a development through revenue bonds. Among the conditions identified were the establishment of an on-street parking meter district surrounding the parking facility. The report also recommended conducting a request for proposals for a public/private partnership in parking facility development.

During its meeting of September 24th, the Agency directed staff to issue a Request For Proposals for the private financing, development, and leaseback of a public parking facility resulting in the provision of approximately 200, 300, and 400 public parking spaces in the immediate vicinity of the North Park Theatre. Staff was also directed to initiate a community process and work with appropriate City departments to develop recommendations for a North Park parking management program, which could include the establishment of a parking meter district and a residential permit-parking district, in conjunction with a public parking facility. Finally, staff was directed to report back on the results of the Request for Proposals and the development of the North Park parking management program within 120 days.

DISCUSSION:

On October 4th, a request for proposals (RFP) was mailed to 130 developers, both local and national, soliciting proposals for a public/private partnership in the financing and development of a parking facility. Two proposals were received by the November 1st deadline established in the RFP. Both propose development of property east of the North Park Theatre across 29th Street currently leased by Union Bank as a surface parking lot for the use of its customers and employees. The parking lot, approximately 80 spaces in size, is also well used during the evening hours by patrons of nearby businesses.

One proposal, submitted by BCG International, LLC, involves a mixed-use development incorporating residential development surrounding a parking structure with a nominal amount of commercial space at the street level. The parking structure would be designed to provide up to 400 public parking spaces in addition to the number necessary to serve residents of the development. The incorporation of residential development results in a development with a total height of approximately 70-80 feet as wrapping the parking structure in residential space constrains its footprint and because the structure must provide the additional spaces needed for residents. The other proposal, submitted by Five Star Parking, involves a conventional parking garage, incorporating a modest retail component at the street level, and would rise approximately 50 feet above street level. Bud Fisher, developer of the North Park Theatre restoration, is a member of the team the Five Star Parking development team.

During the week of November 18th, both proposing teams were invited to present their concepts and financing plans before an interdepartmental staff panel convened to evaluate the proposals and determine the degree to which each addressed identified Agency objectives. As currently conceived, both proposals assume an equity contribution by the Agency of currently available proceeds of the North Park Bond issuance of December 2000. The mixed-use proposal submitted by BCG International, LLC, involving the private financing of a public parking structure subsidized by the proceeds of the sale of condominium units, was represented to reduce annual debt service for permanent financing to a level not exceeding projected tax increment revenues. Although not addressed in the proposal, it should be noted that Agency-imposed affordability requirements on a specified percentage of residential units would diminish the capacity of the residential component of the development to subsidize the public parking component by an undetermined amount. As presented, the proposal submitted by Five Star Parking, involving a privately developed and owned conventional parking garage with some ground level retail space would generate revenues from parking and the lease of retail space, exceeding the estimated annual lease payments after a short stabilization period. The Agency would take possession of the facility upon completion of the lease term.

Concurrent with the conduct of the Request for Proposals, staff initiated a broad public discussion of North Park's public parking needs and the challenges of financing a parking facility of up to 400 spaces. On October 23rd, Agency staff collaborated with North Park Main Street, the Business Improvement Association (BIA) representing the portion of University Avenue within which the North Park Theatre is located, to conduct a town hall forum on parking issues affecting downtown North Park. Flyers were delivered by hand to 1,000 residences within a 38-block area surrounding the theatre. Each business within the BIA's boundaries also

received a flyer to be displayed in shop windows and several businesses agreed to place large format posters in display windows to publicize the meeting. Approximately 150 people attended the October 23rd meeting, which was facilitated by a community member familiar with public agency procedures. During the meeting, the status of plans to renovate the theatre and alternative methods of providing needed parking were discussed. Ample time was provided for questions and comments from the audience, each of which were recorded on large note charts and later transcribed for distribution at the following meetings. Those in attendance were virtually unanimous in their support for the theatre's restoration. However, a majority objected to the use of on-street parking meters as a component of the financing of a parking facility. Many of the attendee's comments and questions addressed the actual need for additional public parking and the best approach to providing it. A number of speakers expressed concern that customers of North Park's merchants and service providers are extremely cost sensitive and would do business elsewhere if required to use metered parking spaces. Residents within walking distance of downtown North Park also expressed concern that a commercial parking meter district would cause motorists to seek free parking in surrounding neighborhoods, minimizing the availability of on-street parking for residents. Speakers also challenged the appropriateness of providing needed parking in the form of a parking structure, suggesting that a series of surface lots be created in the blocks surrounding the North Park Theatre.

A second facilitated community forum, attended by 230 persons, was conducted on November 6th. Attendees were advised that due to the strong negative reaction to the concept of establishing a parking meter district in North Park, parking meters would not be further considered as a part of the parking facility's financing program. Attendees were also advised that the RFP process had resulted in two proposals for the provision of needed parking. The two proposals were described in general terms. Staff indicated that the design of any facility would be the subject of community input during its design phase. As with the October 23rd meeting, the majority of the agenda was devoted to comments, questions and suggestions from the audience. A number of speakers repeated concerns about the potential for theatre patrons and others to seek out free parking on residential streets. Speakers also identified existing surface parking lots in the community from which theatre patrons might be shuttled or walk to the theatre.

A third community forum, attended by 62 persons, was held on December 5th to provide a status report on staff's evaluation of the two development proposals and to hear public comment on the community's priorities with respect to development alternatives. Staff advised attendees that both initial proposals had been refined in order to better address the Agency's financial and operational objectives. Staff distributed both narrative and illustrative descriptions of the refined proposals and discussed their characteristics. Staff also outlined the Agency's time line for making a decision on whether and how to move ahead with development of a public parking facility. Community comment and questions focused on the relative size and bulk of the two proposals, their complexity and associated potential impacts on the timely completion of the project, and potential conflicts associated with the close proximity of residential and entertainment uses.

Both development teams submitting proposals have demonstrated through their experience and access to capital an ability to fulfill the commitments described in their respective proposals. Having considered the merits of each response to the request for proposals and community sentiment, it is staff's determination that the proposal submitted by Five Star Parking most successfully addresses the Agency's objectives of providing the needed parking in a timely way and with minimum risk. Factors staff found particularly supportive of the Five Star proposal

include: the Agency's ability to specify physical and operational characteristics of the facility; the project team's parking-specific experience and readiness to allocate resources from other facilities currently under production in the San Diego area; limited exposure to revenue/cost variation as compared to a mixed-use project; and the community's aversion to development that may, by its mass, diminish the profile of the historic North Park Theatre.

Staff therefore recommends that the Agency move forward to negotiate a DDA with Five Star Parking to support the private development of a parking facility on land that may be acquired by the Agency. Among specific issues to be discussed during the formulation of a DDA include the length of the lease term, the rate of interest, confirmation of the level of demand for off-street parking and the optimum number of parking spaces to be provided, the demand for commercial space and the amount to be incorporated in the project, accommodation of Union Bank as the existing parking tenant, and the physical design of the facility. Agency staff propose to retain the services of a qualified consultant to evaluate the strength of the negotiated project proforma prior to Agency action on the DDA. Agency staff would also ensure, to the greatest extent feasible, that community objectives with respect to design and operation were incorporated into the DDA and lease agreement. Extensive public involvement would be solicited during the design phase of development. It is anticipated that upon direction from the Agency, the draft DDA could be returned for consideration by the Agency within 90-120 days.

ALTERNATIVES:

- 1) Direct staff to negotiate a Disposition and Development Agreement for a mixed-use development.
- 2) Do not move forward with financing or development of a parking facility in North Park.

Respectfully submitted,

Todd G. Hooks
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director

HOOKS / TCR

Attachments:

1. Identity and Qualifications of Recommended Development Team
2. Proposed Scope of Development
3. Conceptual Site Plan