

**DATE:** August 24, 2021

**CATEGORY:** New Business

**DEPT.:** Community Development

**TITLE:** **Downtown Parking Garage Framework**

## **RECOMMENDATION**

1. Authorize staff to study a new parking garage at Lot 5.
2. Provide feedback on funding options for the new parking garage.

## **BACKGROUND**

### **Parking District Overview**

The Downtown Parking District (see Figure 1) covers a portion of downtown Mountain View. Within and adjacent to the Parking District, City-owned parking lots and garages provide public parking for customers, employees, residents, and guests in the area. This has multiple benefits for downtown:

- Shared public parking is more efficient than private parking since it is used over more of the day by more people and can accommodate average demand over a range of uses instead of peak demand of a single use.
- Public parking can be managed to achieve other public goals, such as reduced private vehicle usage.
- Public parking can improve the quality of the pedestrian and bicycle environment by reducing the number of driveways and providing unobstructed active building frontages.

Developments in the Parking District are allowed to use public parking to accommodate their new parking demand, usually through payment of an in-lieu fee. These fees are collected and used to expand the public parking supply. In addition, maintenance and

operations are supported through property owner annual assessments and permit sales for parking longer than time limits.



Figure 1: Downtown Parking District

## **Downtown Parking Strategy**

In September 2020, the City, with the support of Nelson\Nygaard, kicked off the Downtown Parking Strategy (Parking Strategy), a roughly one-year project to comprehensively analyze the opportunities, constraints, and best practices for managing, creating, and regulating downtown parking. The strategy is based upon four primary goals previously identified at a City Council Study Session on the Downtown Parking Strategy (Attachment 1 to the Council report—[October 15, 2019 Council Study Session Memo](#)).



**Figure 2: Downtown Parking Strategy Goals**

On May 11, 2021, the City Council held a Study Session to review existing conditions analysis, draft Guiding Principles, and a solutions framework for the Downtown Parking Strategy (Attachment 2 to the Council report—[May 11, 2021 Council Study Session Memo](#)). The draft Guiding Principles are summarized as follows:

1. A comprehensive package of strategies and solutions is needed to address the full range of parking demands.
2. There is a shared vision to support a vibrant, thriving downtown.
3. Parking and driving come at a cost to the community.
4. Transportation Demand Management (TDM) and sustainability should be aligned with downtown parking needs and priorities.

5. Managing the existing public parking supply is the best way to support parking demands in the downtown core.
6. Parking strategies and solutions will need to be flexible and broad.

Council supported the draft Guiding Principles and solutions framework presented in the Study Session memorandum and provided additional direction regarding a range of topics, such as bicycle parking, enforcement, the Moffett neighborhood, and others.

In addition to the draft Guiding Principles and solutions framework, Council reviewed a parking shortfall analysis, which is detailed below.

The final Downtown Parking Strategy is anticipated to return to City Council by the end of 2021.

## **ANALYSIS**

### **Parking Shortfall**

At the May 11, 2021 Downtown Parking Study Session, Council reviewed an analysis of existing and future parking shortfalls in the Parking District, shown in Figure 3.

<b>Scenario</b>	<b>Approximate Shortfall in the Parking District</b>
Existing	100 to 200 spaces
Near-Term (0-5 years)	400 to 500 spaces
Long-Term (5-10+ years)	600 to 700 spaces

**Figure 3: Estimated Parking Shortfall in the Parking District**

The following projects under review contribute to the projected shortfall but also represent opportunities to construct net new downtown parking:

1. Lots 4 and 8 (The Robert Green Company): The City Council approved a hotel on Parking Lot 4 and an office building on Parking Lot 8. The projects would replace all of the public parking plus an additional 75 net new public parking stalls and would allow off-peak public access to the private office parking as well. The City has committed \$13.5 million in Parking District and Parking In-Lieu funds to help construct this public parking.
2. Lot 12 (Alta Housing): In 2019, Council began the RFP/RFQ process for the redevelopment of Lot 12. The process concluded in May 2020 with Council selection of the preferred developer team of Related and Alta Housing (Developer). In the

RFP submittal, the Developer proposed 120 residential units and approximately 2,200 square feet of commercial space with parking to meet the needs of the project. The project will replace a 160-space public parking lot. Additionally, as was allowed in the RFP, the Developer provided an option to make a \$10.1 million payment to the City instead of replacing the 160 public parking spaces within the project. In an October 2020 Study Session to determine final Lot 12 priorities, Council supported the payment and replacement of the 160 spaces off-site within the downtown area and as part of implementing the Downtown Parking Strategy. A separate item is included in tonight's City Council agenda to authorize the developer to submit their formal planning application.

3. 701 West Evelyn Avenue (Marwood): The City Council approved a development project at 701 West Evelyn Avenue (four stories, 28,090 square feet of office space, and 6,841 square feet of ground-floor commercial space) with a requirement for an on-site parking garage, consisting of a mix of 81 public and private underground spaces accessed through the neighboring hotel garage at Lot 4. At the public hearing, the developer expressed interest in working with the City on an alternative parking approach. More information about this project is provided below.
4. 705 West Dana Street (Smith Development): The applicants have expressed interest in building a three-story office and retail building with underground parking that satisfies their office parking requirement. An application is expected soon.
5. Projects proposing to pay in-lieu fees: These are small projects with sites that cannot feasibly build a parking structure on their site and are proposing to pay in-lieu fees instead:
  - a. 756 California Street (Dental Fabulous): The project proposes a 7,110 square foot, three-story office building with 2,140 square feet of ground-floor retail and 2,340 square feet of medical office. The applicant is requesting to provide an in-lieu payment for the 22 spaces required (approximately \$1.25 million at current fee levels). The project is currently under review.
  - b. 747 Dana Street (Rodrigues & Partners): The project proposes a 7,942 square foot, three-story office building with 1,155 square feet of ground-floor retail. The applicant is requesting to provide an in-lieu payment for the 20 spaces required (approximately \$1.13 million at current fee levels). The project is currently under review.

Based on the typical parking demand for the uses that currently exist in the Parking District, there is a small deficit of about 100 to 200 parking spaces. If no parking is built

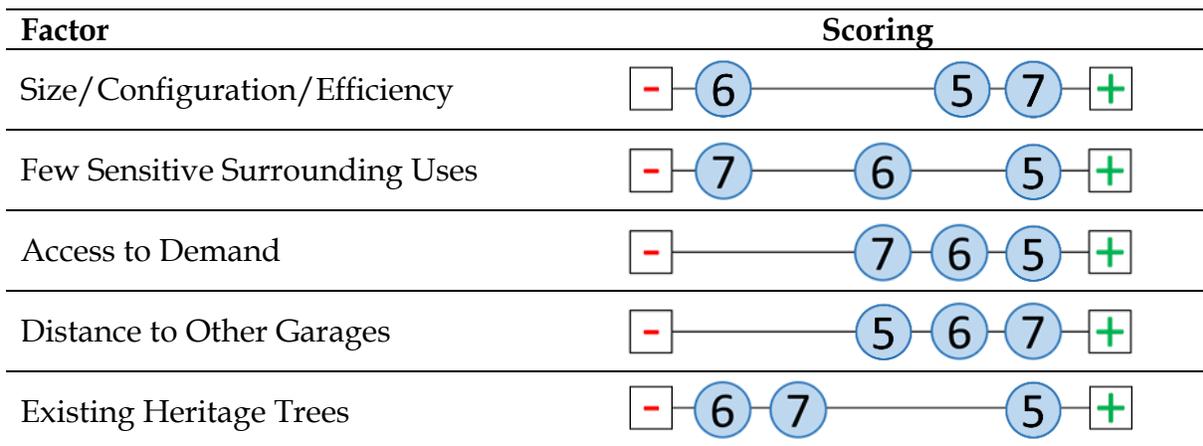
and no parking management strategies are implemented, this deficit is projected to increase to 400 to 500 spaces in the near term and 600 to 700 spaces in the long term.

This long-term scenario is conservative in that it includes growth assumptions beyond known opportunity sites, no new parking built, and no management of existing parking demand. It is also manageable through required TDM, better coordination of parking permits, and parking pricing, which will be articulated in the forthcoming Downtown Parking Strategy.

While parking management could address much of this shortfall, the City currently has a unique opportunity to secure private funding sources and partnerships to invest in supply solutions as well. The Lot 12 developer and Marwood, the developer at 701 West Evelyn Avenue, have proposed funding to support the City’s downtown parking goals. At the May 11 Study Session, Council indicated a willingness to pursue supply-side solutions to this shortfall due to the window of opportunity provided by these public-private partnerships and in-lieu fee payments.

**New Parking Garage at Lot 5**

While there are other ways to add public parking supply, a new parking garage on an existing public parking lot is the most feasible way to add hundreds of additional spaces. If the City Council is interested in building a new garage, the first step would be to determine its location. Given lot availability in light of anticipated development, proximity to existing garages, and ideal size, potential public parking lots for a new parking garage are Lots 5, 6, and 7. Figure 4 compares these lots based on a range of key factors to identify the best location for a future garage.



**Figure 4: Comparison of Lots for Garage Location**

Based on the factors above, Lot 5 stands out as the best candidate for a new garage.

- It is a rectangle with enough depth for an efficient two-aisle garage configuration across approximately 225' in length. Only Lot 7 has a larger rectangular area.
- It is surrounded by commercial uses, except for a multi-family development under construction across the street.
- It is centrally located within the District but on the opposite side of Castro Street from the other two garages. It is, however, only one block away from the proposed underground garages at Lots 4 and 8. While Lots 6 and 7 are farther from the other garages, they are less central to the District and have worse access to buildings and uses reliant on the public parking.
- There are no Heritage trees in the middle of the lot which would need to be removed to accommodate the garage, unlike Lot 6 with its many oaks and Lot 7 with its two redwoods.

Based on an initial rough analysis, Lot 5 could accommodate approximately 400 stalls or a net increase of approximately 300 stalls. This analysis assumes a five-level garage with no underground parking and no ground-floor commercial. While there are options for the garage, including the number of parking stalls, underground parking, and a commercial tenant space, there are pros and cons of each. At this time, staff is not recommending these options, based on the cost and limited funding availability, and because the location of the garage would not be conducive to ground-floor commercial uses (see the next section for more information). However, additional options can be studied, if Council so directs.

#### *Staff Recommendation*

A new five-level parking garage, with approximately 400 stalls, should be studied at Lot 5 with no underground parking and no ground-floor commercial.

#### **Funding Partnerships**

Staff currently estimates the garage proposed above to cost approximately \$24 million. The following are potential funding sources, which should cover the cost of the garage, although some sources may not be certain.

1. Two developers have offered a total of \$18.1 million through agreements, which could be used to construct the garage.

- a. As noted above, Council supported the Lot 12 developer's proposal to provide a \$10.1 million up-front payment instead of replacing the existing 160 parking spaces within the project. This key deal term is included in the Lot 12 Lease Disposition, Development, and Loan Agreement (LDDLA). The payment would be made to the City upon the start of construction. These funds could then be used for the construction of a garage at an off-site location.
  - b. On November 18, 2019, Council approved a four-story office development at 701-747 West Evelyn Avenue. The project was originally approved with a shared garage with 81 parking spaces under the adjacent hotel project at Lot 4, but that deal is not likely to proceed. At the hearing, the developer, Marwood Assets Management (Marwood), proposed several options for proceeding without the shared garage, with both options involving the construction of an additional parking structure. Marwood offered \$8 million toward that effort—\$100,000 per required parking space. Marwood has submitted an informal application for this revision, which would be effected through a Development Agreement regarding the payment, entitlement duration, and rights to public parking. The details of the agreement have yet to be worked out, and more information will be provided as it is reviewed.
2. The City does not currently have any available in-lieu fee funds to spend on a new garage, but there are two under-review projects that could contribute approximately \$2.4 million in such fees as described at the beginning of this report.
  3. Approximately \$6 million is available in the Downtown Benefit Assessment District Fund, which can be used for new parking. The revenues come from the Parking District assessments, parking permit fees, investment earnings, and property taxes. The funds are used for the ongoing maintenance and operations of the downtown public parking facilities, including the replacement of existing parking spaces and implementation of downtown parking projects. In addition, the Parking District currently has an annual operating surplus of approximately \$1 million, which could fund potential debt payments to fund a new parking garage.
  4. Finally, in the medium term, the Downtown Parking Strategy may also include additional funding sources to fill this shortfall, including paid parking and permit parking receipts, future in-lieu fee payments, or other strategies.

It is also important to recognize the opportunity costs of this funding. Limited funds are available, and the Downtown Parking Strategy will also include a number of near-term actions necessary to better manage downtown parking. Use of the funds identified above

for the garage would be at the expense of pursuing other parking management tools and strategies. Staff recommends focusing on the garage due to the identified parking shortfall. In addition, this project is materializing due to unique opportunities available now while other strategy actions may only materialize over time after the strategy is adopted.

Staff recommends limiting the funding partnerships to Marwood and the Lot 12 developer. While other developers may be interested in providing funds or partnerships similar to those identified above, the new garage as outlined above is limited in size. Considering the replacement of Lot 12 and Lot 5 parking, the net new capacity of the garage is likely to be only about 140 spaces, from which the demand of new development would need to be subtracted to ensure additional peak-parking supply.

Marwood's approved project included 81 stalls (including 25 public parking spaces), while the demand of the office projects paying the in-lieu fee is up to about 35 stalls (based on an estimated parking demand of 350 square feet per stall), leaving an effective net increase of approximately 25 stalls. Though the garage could be designed larger, a taller garage or underground parking would be more expensive than the partnerships would cover. In order to ensure a net increase in spaces considering the demand of new development, staff recommends limiting the public-private partnerships to those identified in this report.

Alternatively, Council could authorize staff to solicit other proposals similar to Marwood's (in addition to Marwood's). If Council is interested, it is recommended that these proposals be limited to a parking demand of no more than approximately 25 stalls, which would generate approximately \$2.5 million in funding partnerships, thus reducing the need for the garage to utilize Downtown Parking Strategy funds and making those funds available for other strategies.

#### *Staff Recommendation*

Utilize partnerships with Marwood and the Lot 12 developer, in-lieu fees, and Downtown Benefit Assessment District funds to fund the new garage. In addition, staff will prepare a detailed funding strategy, which could also study use of future in-lieu fees or long-term debt paid from Parking District revenues.

#### **Timing and Next Steps**

If directed, the Public Works Department will start identifying staffing capacity to begin a detailed study of a new garage at Lot 5, including design, costs, and funding mechanisms. It will likely take at least six months to have staff available for this project.

Once a Capital Improvement Program (CIP) project is approved and the design process begins, staff will bring back detailed design, cost, and funding alternatives for future Council consideration.

The City will need funding to begin the design process. While \$6 million from the Downtown Benefit Assessment District is currently available, the City may not wish to spend all of these funds on the parking garage in order to preserve funding to implement other parking management tools and strategies. Staff estimates that approximately \$3 million from the Assessment District fund would be enough to allow the design to proceed until other funding is available. The remaining funding needed to complete design (up to \$1.8 million) could come from the Lot 12 funds, expected to be available in late 2022 or early 2023. Alternatively, the City could negotiate with Marwood for Marwood to provide the funding for the design of the parking structure (\$4.8 million) as soon as possible after the approval of their revised project and Development Agreement, which could be as early as 2022. This may delay the start of design by a few months but would save the commitment of Assessment District funds until the construction phase of the parking structure to be used only as needed to cover any funding shortfalls.

If directed, staff will continue to work with Marwood and the Lot 12 developer to finalize agreements to fund the garage. Council is reviewing the Lot 12 developer's proposed request to submit a development application for their project at tonight's meeting, and construction is expected to start in early 2023. Marwood's informal application for a modification to their approved project is under review, and a Council action on the modified project (along with partnership terms) is expected in the next six months.

Ultimately, improvement of downtown parking facilities should be timed to maximize available supply at any one time and minimize disruption in light of anticipated development. Downtown developments that may affect parking are expected in the following timeline:

- Lots 4 and 8 will be under construction with The Robert Green Company's hotel and office building until early 2024 (at the latest).
- Lot 12 is currently anticipated to begin construction in early 2023 (pending attainment of the City's entitlement and building permit approvals and the Developer's successful application and receipt of various external funding sources), and the Lot 12 developer will pay the City \$10.1 million at that time.
- New office developments, such as those at 747 Dana Street and 756 California Street, may start construction and pay their in-lieu fees before early 2023. They would likely complete construction in approximately 2024.

- Marwood has proposed as part of their partnership on a garage to start construction of their 701 West Evelyn Avenue office building at the same time as the parking garage or five years after entitlement, whichever comes first. This means they would likely start construction in 2027, at the latest, and they would be complete one to two years later.

If design proceeds quickly, the City could be ready to build before Lots 4 and 8 are complete, though construction of the new garage should not start until after Lots 4 and 8 are complete to minimize disruption. The total development timeline for the garage is expected to be about four years (two to three years for design and one to two years for construction). This means the garage could be complete by 2026.

### **FISCAL IMPACT**

A parking structure at Lot 5 is expected to cost approximately \$24 million, which could be covered through a mix of developer partnership opportunities, anticipated near-term in-lieu fees, and the Downtown Benefit Assessment District Fund. However, the developer funds may have uncertain timing that could result in project delays or the need for additional funds. Alternatively, the City could pursue additional partnerships with developers to fill this shortfall. Staff will also prepare a detailed funding strategy, which could also study use of future in-lieu fees or long-term debt paid from Parking District revenues.

### **CONCLUSION**

Staff recommends that Lot 5 should be the location for a new five-story parking garage with approximately 400 spaces, and no underground parking or commercial uses on the ground floor should be included. In addition, staff recommends that the City utilize partnerships with Marwood and the Lot 12 developer, in-lieu fees, and Downtown Benefit Assessment District funds to fund the new garage. In addition, staff will prepare a detailed funding strategy, which could also study use of future in-lieu fees or long-term debt paid from Parking District revenues.

### **ALTERNATIVES**

1. Do not study a new garage and focus more effort and funding on other supply-side solutions, such as negotiations for public access to private lots, or focus more effort and funding on demand-side options, such as increasing TDM measures and coordination with the MVTMA.

2. Study a new garage at either Lot 6 or 7.
3. Study different options for the garage design, such as a different number of stalls, underground parking, or a ground-floor commercial space.
4. Do not work with Marwood and the Lot 12 developer to fund the garage. If Council selects this alternative, it could have a significant effect on Marwood's Development Agreement negotiations.
5. Direct staff to issue a call for interest for other developers to submit proposals for similar partnerships, limited to a total parking demand of 25 stalls, if submitted by December 20, 2021.

### **PUBLIC NOTICING**

The meeting agenda and Council report were posted on the City's website. All property owners and addresses within 750' of Lots 5, 6, and 7 were sent public notices. Developers of projects identified in this report, as well as other parties interested in the Parking Strategy, were also notified. Lastly, notice of this meeting was included in communication to all downtown businesses and property owners, and it was included in the *Mountain View Biz* newsletter and posted on the Downtown Parking webpage.

Prepared by:

Eric Anderson  
Principal Planner

Approved by:

Aarti Shrivastava  
Assistant City Manager/  
Community Development Director

Approved by:

Kimbra McCarthy  
City Manager

EA/1/CAM  
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- Attachments:
1. October 15, 2019 Council Study Session Memo
  2. May 11, 2021 Council Study Session Memo