



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Balboa Park Plaza de Panama, Circulation and Parking Structure Project and Financing Plan

OVERVIEW

On July 9, 2012, the City Council will be tasked with review of the Balboa Park Plaza de Panama, Circulation and Parking Structure Project (the “Project”) and consideration of the related actions, including the proposed financing plan. As the City Council will only be considering actions related to the Project, the Office of the IBA conducted a detailed review specifically related to the Project, the related revenue and expense projections, and the proposed financing plan, even though during the environmental review process the Development Services Department reviewed additional alternatives. As the alternatives are not part of the requested action, the IBA did not conduct a detailed review of those plans. The IBA reviewed the revenue and expense projections/assumptions as to the potential impacts of the Project to the General Fund.

The Project

The Project consists of multiple components (briefly listed below) and the anticipated total cost of the Project is approximately \$45.3 million.

- Centennial Bridge – A 405 feet long, curved bridge from the Cabrillo Bridge that would span the existing canyon and connect to the existing Alcazar parking lot.
- Parking Structure and Tram – Underground parking structure would provide 797 parking spaces on three levels with three trams providing service to the Plaza de Panama; structure would add a net of approximately 260 parking spaces.
- Rooftop Park – New 2.2-acre park that would be developed on top of the new underground parking structure including a new visitor center and restrooms.

- Centennial Road – Two lane road that would connect the Alcazar parking lot to the new Organ Pavilion Parking Structure; road would drop down and become grade separated in order to allow vehicles to pass below the Pan American Road.
- Alcazar Parking Lot – Parking lot would be reconfigured to only provide drop-off, valet stacking, and disabled access parking.
- Plazas – Improvements related to the Plaza de Panama and the Plaza de California
- Additional Improvements – Improvements include an increase to the number of accessible parking spaces, an addition of over 400 trees, specialty paving for roadways, additional landscaping improvements and other improvements.

Project Components	Projected Cost (in millions)
Centennial Bridge	\$4.76
Underground Parking Structure	22.40
Rooftop Park	3.75
Centennial Road	4.50
Alcazar Parking Lot	1.76
Plazas*	5.70
Additional Improvements**	2.43
Total Projected Cost	\$45.30
*Improvements related to the Plaza de Panama and the Plaza de California	
**Consists of several components including, but not limited to, the Promenade, Palm Canyon, and the Esplanade.	

Project Funding

From the proposed Plaza de Panama Improvement Agreement between the City and the Plaza de Panama Committee (the “Improvement Agreement”), the Plaza de Panama Committee (the “Committee”) is to raise the funds necessary to accomplish and complete the Project with the exception of a contribution from the City for the construction of the Organ Pavilion Parking Structure (the “Parking Structure”) from the projected net parking revenues from the Parking Structure. It is contemplated that the net parking revenues be leveraged to facilitate a tax-exempt bond issuance, and that the size of the bond issuance that could be supported solely from the net parking revenues would be the City’s contribution to the Project.

From preliminary net parking revenue projections, it is anticipated that the net parking revenues will support a bond issuance of approximately \$16.5 million, with \$14 million being contributed to the cost of the Parking Structure. Approximately \$2.1 million of the bond proceeds will be used to pay interest payments (capitalized interest) related to the bond issuance for up to three years. If there are insufficient net parking revenues to pay the annual debt service on the bonds beyond the capitalized interest period, the General Fund would be responsible for covering the shortfall.

- Bond Issuance – Based upon the net parking revenue projections developed by Parking Concepts Inc. in April 2012 and the review of the projections by Keyser Marston Inc. in June 2012, it is anticipated the Parking Structure will generate approximately \$1.3 million annually in net parking revenues. This revenue is

estimated to support a bond issuance of approximately \$16.5 million, based upon current market conditions. This portion of the financing plan would require that many of the components within the proposed Improvement Agreement be agreed upon. The detailed financing plan and related details are discussed later in this report, including additional information related to the anticipated bond structure.

- Contributions from the Committee – Based upon the total cost estimate of approximately \$45.3 million and the City contribution of approximately \$14 million, the Committee will be contributing approximately \$31.3 million to accomplish the project. It is understood that any cost overruns for the Project beyond the anticipated \$45.3 million would be fully addressed by the Committee. However, per the proposed Improvement Agreement, the Committee may terminate the Improvement Agreement at its sole discretion for any reason if the anticipated costs of the Project exceed the budget for the Project provided by the Committee to the City by more than three percent (3%).

The IBA has reviewed the Project for areas that could pose potential liability or could be a future cost impact to the General Fund. In considering the anticipated funding for the Project, as the Committee is undertaking the majority of the costs, the impacts to the General Fund could result from the tax-exempt bond issuance and a shortfall in the dedicated revenue source (i.e. parking revenues) proposed to pay for the debt service on the bonds. Given the nexus between the estimated parking revenues and expenses and the potential General Fund impact, the IBA reviewed the key assumptions used in the revenue and expense projections.

The table below, from the Keyser Marston Inc. report dated June 7, 2012, illustrates the projected revenue and expense from the Parking Structure and new tram service. The resulting net parking revenue (Net Operating Income in the table) was used to determine the size/amount of the bond issuance.

Keyser Marston Projections

Typical Operating Year - Net Operating Income	
Garage Revenues	
Visitor	\$1,933,600
Special event	\$364,000
Monthly parking	\$60,000
Valet	\$118,800
	\$2,476,400
Operating Expenses	
Garage	\$615,300
Tram	\$543,200
	\$1,158,500
Net Operating Income	\$1,317,900

FISCAL/POLICY DISCUSSION

The majority of the revenue and expense projections are related to the Parking Structure and new tram service. In analyzing the projected revenues and expenses, the IBA reviewed the assumptions upon which the calculations were based and reviewed several parking and land use studies commissioned by the City and/or the Committee related to parking demand and parking inventory. These studies include:

- Balboa Park Land Use, Circulation, and Parking Study completed in November 2004 by Jones & Jones Architects and Landscaping Architects, Ltd. (“Jones Study”);
- Parking Management Action Plan for Balboa Park, Central Mesa & Inspiration Point completed in July 2006 by the Tilghman Group and Civitas Inc. (“Tilghman/Civitas Study”);
- Parking and Transportation Analysis, Balboa Park Plaza de Panama Project completed in April 2012 by Parking Concepts Inc. (“PCI Study”); and
- Balboa Park Parking Garage Financial Feasibility Analysis completed in June 2012 by Keyser Marston Associates (“Keyser Marston Study”).

The Jones Study reviewed the integration of land use, circulation, and parking within Balboa Park and the Tilghman/Civitas Study focused on the opportunities to achieve parking efficiencies within Balboa Park by using a parking management plan and existing resources. These studies which were commissioned by the City, collected utilization and parking data that has been applied in subsequent parking studies.

The PCI Study, commissioned by the Committee in 2011, developed the preliminary revenue and expenditure projections related to the Parking Structure and the additional tram service. In response to questions raised by the Office of the IBA in IBA Report 11-44 dated July 15, 2011, the Committee commissioned the Keyser Marston Study to perform an analysis of the financial projections developed by PCI. In review of the PCI projections, based upon reasonableness and comparisons to industry standards, the Keyser Marston Study found the PCI gross parking revenue projections for the Parking Structure of approximately \$2.5 million annually to be reasonable. After the deduction of the related facility and additional tram expenses, Keyser Marston found the net parking revenues of approximately \$1.3 million annually to be achievable.

In our review of the Keyser Marston Study, the IBA found the study’s conclusions to be reasonable based upon several key assumptions. However, we discuss below several issues that could impact the proposed assumptions and projected net parking revenues.

VISITOR PARKING REVENUE

As proposed, Visitor Parking is projected to generate \$1,933,600 annually in revenue based upon the projected demand for the parking structure and a five dollar charge for five hours.

Keyser Marston assumed that typical visitors to the park would be willing to walk a maximum of three-eighths ($\frac{3}{8}$) mile to get to the Plaza de Panama. The Plaza de Panama was used as a final destination as many attractions are within close proximity of this site. This assumption is also used to determine which parking lots were used in calculating available free parking. The $\frac{3}{8}$ mile radius from the Plaza de Panama included lots from Carousel North south to the Palisades area. (See the attached Pedestrian Walking Distance map from the Keyser Marston Study.)

According to the Keyser Marston Study, industry standards for transit ridership and shopping malls typically assume a maximum walking distance of one-quarter ($\frac{1}{4}$) mile. In an effort to conservatively estimate parking demand for a parking structure, Keyser Marston slightly expanded the maximum walking distance to $\frac{3}{8}$ mile from the industry standard of $\frac{1}{4}$ mile and included the available free parking within the Federal lot. (The PCI Study did not include the parking within the Federal lot.) The Keyser Marston study did not include the available parking within the Inspiration Point parking lots, even though they are within $\frac{3}{8}$ mile from Plaza de Panama, as the lots are located across a major four-lane road. Neither the Keyser Marston Study nor the PCI Study included the free available parking within the Zoo parking lot in the calculation as the spaces within the $\frac{3}{8}$ mile radius normally fill quickly with Zoo patrons.

While the Keyser Marston assumption may be conservative compared to industry standards as it slightly expands the walking distance visitors would be willing to walk to the Plaza de Panama, it assumes visitors are walking from their parking spaces to the Plaza de Panama. While some visitors may choose to walk the entire distance from the parking space to the Plaza de Panama, others may alternatively choose to walk a short distance to the nearest tram stop and take the free tram to the Plaza de Panama. This method of calculation, calculating distance from the parking space to the tram stop and then from the final tram spot to the point of destination was used in the Tilghman/Civitas Study. Using this revised calculation would allow the available free parking within the Inspiration Point lots to be considered in the demand projections.

There are approximately 1,260 parking spaces located at the Inspiration Point lots though the available spaces vary based upon day and time due to usage from the Naval Hospital and City College. The Tilghman/Civitas Study indicated that even during the busy weekday it is estimated that there would be 245 spaces unoccupied and relatively low occupancy during the weekends. Within the PCI Study, it shows the Inspiration Point lots at 59% occupancy during the busy weekday and approximately 8% during the weekend.

From the collected data and specific assumptions within the Keyser Marston Study (not including the Inspiration Point available parking), the study determined that the unmet parking demand within the Central Mesa - area after the Project was completed - would be as shown in the table to the right. This table shows

Deficit of Free Parking Spaces within $\frac{3}{8}$ mile of Plaza	
Weekdays - Day	461 spaces
Weekdays - Evenings	365 spaces
Weekends - Day	280 spaces
Weekends - Evenings	246 spaces

a need for 461 spaces during the Weekday Day period and a need for 280 spaces during the Weekend Day period. The total unmet demand during the four periods shown in the table translates into an average occupancy of 47% of the Parking Structure. These figures were used to project the visitor parking revenue.

However, if assumptions are revised to include some of the available parking from the Inspiration Point lots, the projected parking demand and projected parking revenues could be negatively impacted. In a scenario where it is assumed that 100 parking spaces from the Inspiration Point lots are used during the busy Weekday Day Period (only 100 spaces due to the heavy usage from the Naval Center and City College) and 200 parking spaces from the Inspiration Point lots are used during the Weekend Day Period (currently low utilization of the Inspiration Point lots during the weekends), the revised parking demands are as projected below:

	Keyser Marston		Revised
Time Period	Projected parking deficit	Usage of Inspirations Pt. lots	Projected parking deficit
Weekdays - Day	461 spaces	100 spaces	361 spaces
Weekdays - Evenings	365 spaces	0 spaces	365 spaces
Weekends - Day	280 spaces	200 spaces	80 spaces
Weekends - Evenings	246 spaces	0 spaces	246 spaces

This assumes no impact to the evening demand for the parking structure either during the weekday or weekend, and continues to assume less than full capacity at the Inspiration lots. Based upon these assumptions, the projected revenues could be reduced by \$450,000 annually, from \$1,933,600 to \$1,483,600.

Length of stay for visitors/employees and proposed fee for Organ Pavilion parking structure

The average length of stay for visitors and employees was developed in the Jones Study. The average stay in the park for visitors is approximately 3 hours and approximately 8 hours for employees. The Keyser Marston Study finds the parking fee of five dollars for five hours to be a relatively low parking rate. The five hour block of time will allow the average visitor to complete their stay within the park (approximately 3 hours) and deter employees from parking within the parking structure as it is shorter than the average length of time the employee is in the park.

Additionally, the fee of five dollars compares to the rates of City parking meters of one dollar per hour and comparable rates at other parking structures located downtown (range of \$8 to \$24 for a five hour stay). Destinations such as SeaWorld or LEGOLAND, which also charge for parking, have considerably higher rates.

SPECIAL EVENT REVENUES

Currently, the City only charges for parking within Balboa Park for one event, December Nights. The PCI Study and the Keyser Marston Study anticipate establishing charges for parking within the Parking Structure for various special events held within the park. The special event parking rates for the Parking Structure would be determined by the size of the event or the number of anticipated attendees. The revenue generated from the special event parking rates is in addition to the normal parking revenue. Per the PCI Study, events attracting 1,000 to 5,000 attendees would be categorized as Peak Events allowing for a \$10 parking rate for the parking structure, while events with over 6,000 attendees would be considered Major Events with a \$20 parking rate within the parking structure. As proposed, the special event parking rates are projected to generate \$364,000 annually in revenue.

The practice of setting special rates for special events is common within the paid parking business and, therefore, we believe it is a reasonable assumption in developing potential revenue projections for the Parking Structure. However, this would be a new approach as the City has previously only set a fee for one annual event. Should the City wish to continue to set special event parking rates only for the December Nights event, Special Event Revenue would be reduced from \$364,000 to \$154,000 annually.

MONTHLY PARKING REVENUES

In the PCI Study and the Keyser Marston Study, it is assumed that 100 passes will be sold to museum staff and/or park employees for a monthly fee of \$50. It is anticipated that the majority of the parking passes would be for employees working later shifts as the majority of close parking would be filled by them. The concept of monthly parking passes is common for parking structures and the proposed fee of \$50 per month is reasonable when compared to other downtown parking garages, which can charge \$125 to \$175 per month.

As proposed, monthly parking passes are projected to generate \$60,000 annually in revenue.

Even though employees currently park for free, we believe it is reasonable to assume that some employees would be willing to pay the proposed monthly charge to continue to park close to their respective workplaces for various reasons (close proximity, the in and out ability, covered parking, etc.).

VALET PARKING REVENUE

Currently, Sunset Parking operates a valet concession in the Plaza de Panama and patrons pay \$10 for this service. The City does not receive any revenue from Sunset Parking. Sunset Parking has 12 spaces within the Plaza de Panama for valet drop-off and pick-up. Per the Marston Study, Sunset Parking has approximately 2,000 valet users per month. Per the PCI Study and the Keyser Marston Study, the Project plans to expand the valet loading spaces to 24 spaces in the Alcazar Parking lot and designate 80 spaces within the Parking Structure for valet parking. As the valet service will have designated spaces on

the bottom floor of the Parking Structure, it is projected that the valet service operator will pay the garage for the designated spaces.

Sunset Parking does not currently have any designated parking spaces within the park beyond those for loading and unloading purposes. PCI estimated that valet operators would pay \$100 per month for designated parking spaces. In reviewing comparable rates, Keyser Marston noted that downtown valet operators pay considerably more for designated spaces (\$150 to \$190 per space per month) but also charge considerably more for the valet service (up to \$20). The lower fee per designated space within the Parking Structure allows the valet operator to maintain the lower rate to valet patrons. The revenue projection is based upon full time usage of the designated valet spaces plus part-time usage of 50 additional spaces.

As proposed, valet parking services are projected to generate \$118,800 annually in revenue.

Since a new fee structure is proposed based on the inclusion of designated parking spaces, the valet operations may need to be competitively bid.

SUMMARY OF THE PARKING STRUCTURE REVENUES

In reviewing the projected revenues for the Parking Structure, there are two key assumptions that could potentially impact projected revenues: 1) whether a portion or all of the available parking within the Inspiration Point lots is included in the calculation; and 2) whether special event parking rates will be expanded beyond December Nights. As shown below, these factors could reduce revenue projections from \$2,476,400 to \$1,816,400, a reduction of \$660,000 annually.

Parking Structure Revenue Projections

Keyser Marston Study		Impact of Revised Assumptions	
Annual Projected Revenues		Annual Projected Revenues	
Garage Revenues	Amount	Garage Revenues	Amount
Visitor	\$1,933,600	Visitor*	\$1,483,600
Special event	\$364,000	<i>Special event</i>	<i>\$154,000</i>
Monthly parking	\$60,000	Monthly parking	\$60,000
Valet	\$118,800	Valet	\$118,800
Total	\$2,476,400	Total	\$1,816,400
		*Reduction of \$450,000 as result of using a portion of the Inspiration Pt. lots as available parking within 3/8 mile radius.	
		**Reduction of \$210,000 due to no new special event rates.	

PARKING STRUCTURE OPERATIONAL EXPENSES

The design of the parking structure will assist in controlling operating costs by reducing equipment necessary within the parking structure and by providing efficient vehicle entrance and exits. The southeast portion of the structure is open to allow for natural light and ventilation reducing the need for mechanical ventilation equipment. The multiple access lanes entering and exiting the structure will not have ticket dispensers, gate arms, or cashier booths, which will facilitate inbound and outbound traffic. It is anticipated that the garage and the new tram service will be operated by a private operator.

The PCI and Keyser Marston studies project that the parking structure will be completely automated, with customer service staff at the facility to assist patrons in using the pay machines. The PCI Study anticipated the garage staffing hours to be 8:00 a.m. to 9:00 p.m. As there are no cashier booths, parking fees will be collected through centrally located pay-on-foot machines (as shown). Enforcement activity is handled through usage reports produced by the pay machines and violations will be issued by the enforcement personnel. Such machines are used in many different types of locations including parking garages, airport parking lots, etc.



No parking security personnel are anticipated within the operating expenses. The parking structure will be outfitted with the “Code Blue/911” security phone systems to address emergencies and after-hours incidents. Seven park rangers currently assigned to Balboa Park will assist with security as available. No new positions are contemplated at this time for security at the Parking Structure.



As proposed, the projected operating cost for the Parking Structure is projected to be \$615,300 annually.

While the parking structure as planned will have available customer service staff until 9:00 p.m., “Code Blue/911” phone systems, and existing park rangers for providing security coverage, security may still be a concern. Adding one security guard for the parking structure for 24 hours a day, at a rate of \$20 per hour, is estimated to cost approximately \$175,000 annually. Should the City opt to include these costs in the calculation of the net parking revenues for the Project, the amount that would be available to pay for the anticipated bond debt service would be reduced by a like amount.

TRAM SERVICE OPERATIONAL EXPENSES

The current Balboa Park tram service is provided as a free public service by the City of San Diego Park and Recreation Department. The service operator is the Old Town Trolley Tours of San Diego and the operator has four vehicles assigned to the Balboa Park operations. The current tram contract is for \$300,000 annually. Tram loading locations include the Inspiration lots, the Plaza de Panama, and a loop of stops along the West Mesa. Pick up times are every 8 – 10 minutes (peak times are 20 – 40 minutes). The current tram vehicles are not conducive for all potential shuttle riders as there is a

single door at the front of the vehicle and multiple steps are required to enter the vehicle. These features can hamper rapid boarding or create difficulty for those with young children and strollers. Estimates from the Tilghman/Civitas Study show utilization of the tram service to be approximately 32% (Fiscal Year 2005), with very little use in the first two hours of service (8:00 am – 10:00 am) and during summer evenings (6:00 pm – 11:00 pm).

The proposed tram service will include three power cars and nine trailers. Each power car can pull three trailers, expanding the capacity up to approximately 100 people per tram. The proposed tram will have open seating and low floors allowing for quick boarding and departing. The new tram service is intended to supplement the existing tram service. The proposed route for the additional service will be from the southern portion of the Parking Structure to the Plaza de Panama. Tram pick up times are targeted to be every 7 – 10 minutes. The new service is not currently anticipated to extend to the Inspiration Point lots or west across the Cabrillo Bridge to the West Mesa, however, additional service stops could be expanded as needed.



As proposed, the projected operating cost for the additional tram service is approximately \$543,000 annually.

ROOFTOP PARK AND ADDITIONAL OPERATION AND MAINTENANCE EXPENSES

The Rooftop Park will add a new 2.2-acre park on the roof of the Parking Structure. The Rooftop Park would include an open lawn, a central elevator courtyard, two new public restrooms, a visitor center and two tram stops. In addition to the new Rooftop Park, the Project includes a number of other improvements including 400 new trees, additional landscaping, replica lighting fixtures, enhanced paving of the pedestrian walkways, water features and site furniture.

Per the City Staff Report No. 12-080, the City's Park and Recreation Department would be responsible for maintaining these Project improvements. Annual costs are anticipated to be \$350,000 with a one-time equipment cost of \$27,000. These costs would become a General Fund responsibility as the revenues generated from the Parking Structure are not scheduled to be used for these costs. Costs would include staff (4.50 FTEs), supplies, additional irrigation water and electricity.

As proposed, the projected operating cost for the additional improvements would be a \$350,000 annual impact to the General Fund.

Should the City opt to include these costs in the calculation of the net parking revenues for the Project, it would increase the projected expenses by \$350,000, thus reducing the amount that would be available to pay for the anticipated bond debt service.

SUMMARY OF REVENUE AND EXPENSE PROJECTIONS

In review of the revenue and expense, our office confirmed that the projections are valid based upon specific assumptions. However, assumptions regarding availability of free parking and parking behavior and/or decisions about special events charges could negatively impact revenue projections, potentially impacting the General Fund. The tables below show the projected revenues and the potential impacts of changing/revising certain assumptions. The possible changes in assumptions are:

- Inclusion of Inspiration Point lot available parking
 - Reduction of \$450,000 in Visitor Parking Revenue
- Policy decision not to set special parking rates for additional special events
 - Reduction of \$210,000 in Special Event Revenue
- Inclusion of 24/7 security for the Parking Structure
 - Addition of \$175,000 in Parking Structure Operational Expenses
- Inclusion of annual expense related to Rooftop Park and additional O&M expenses
 - Addition of \$350,000 in Operational Expenses

RESULTS OF KEYSER MARSTON STUDY COMPARED TO POSSIBLE ASSUMPTION ADJUSTMENTS

KEYSER MARSTON STUDY Annual Projections		REVISED ASSUMPTIONS Annual Projections	
Garage Revenues		Garage Revenues	
Visitor	\$1,933,600	<i>Visitor</i>	<i>\$1,483,600</i>
Special event	\$364,000	<i>Special event</i>	<i>\$154,000</i>
Monthly parking	\$60,000	Monthly parking	\$60,000
Valet	\$118,800	Valet	\$118,800
	\$2,476,400		\$1,816,400
Operating Expenses		Operating Expenses	
Garage	\$615,300	Garage	\$615,300
Tram	\$543,000	Tram	\$543,000
	\$1,158,300	<i>24/7 Security</i>	<i>\$175,000</i>
		<i>Additional Park O&M</i>	<i>\$350,000</i>
			\$1,683,300
Net Operating Income	\$1,317,900	Net Operating Income	\$133,100
Debt Service Payment*	<u>\$1,100,886</u>	Debt Service Payment*	<u>\$1,100,886</u>
Available Funds	\$ 217,014	Available Funds	(\$967,786)
*Debt Service payment estimated on \$16.5 million bond issuance		*Debt Service payment estimated on \$16.5 million bond issuance	

Based upon the anticipated bond issuance of \$16.5 million and the associated debt service payment of \$1.1 million, if the revenue and expense projections materialize as anticipated, the Net Operating Income from the Parking Structure would be sufficient to pay the estimated debt service payments. However, if the revised assumptions materialize, the Net Operating Income would be insufficient by approximately \$967,786.

POTENTIAL DEMAND IMPACT

Parking Management Plan

A proposed employee parking management plan could also impact demand for the paid parking structure. This issue is not discussed in the Project but it has been suggested in the previous parking studies. A parking management plan, as discussed in the Jones Study and the Tilghman/Civitas Study, would relocate employee parking from the lots closest to the museums/Prado to the Federal and Inspiration Point lots. The purpose of this would be to make parking spaces available to visitors close to the museums, as many are currently filled by employees prior to visitors arriving at the park.

As noted in the Tilghman/Civitas Study: “Based on a 2004 survey of employees done by the Balboa Park Cultural Partnership, 82% of employees reported arriving by 9:00 a.m. and parking in lots close to their places of work. This represents over 550 parking spaces at the Prado alone being used by employees by 9:00 a.m., leaving few for visitors arriving after that time.” Taking into consideration the difference in the length of stay between employees (8 hours) and visitors (3 hours), one employee vehicle displaces 2.7 Visitors’ vehicles. If each visitor vehicle carries an average of 3 people, 8 visitors are displaced by a single employee. “Considering the 550 spaces used by employees at the Prado, over 4,000 visitors per day are prevented from convenient parking in lots close to their destinations.”

The PCI Study states that: “Almost any type of employee parking management plan would produce positive results towards improving the visitor parking situation. The goal of such a program would be to have more control over the designated location for employee parking. In the case of Balboa Park, this would result in more convenient parking available for later-arriving visitors”. PCI’s concern was that without an employee parking management plan, the Project would “shift” the employee parking from the Prado to the next closest parking, which would be the Pan American Lot, thus moving available free visitor parking further from the Prado and museums.

An employee parking management plan is supported by the furthest lots and current shuttle system being under-utilized, especially in the mornings. In the Report to Council No. 12-080, the report states “Employee parking management after construction may be required to assure free, close-in parking is available for park visitors”. This type of plan would address the issue of removing vehicles from the Plaza de Panama. However, implementation of an employee management plan could potentially have the same impact of adding additional parking in the Prado, reduce the demand for the Parking Structure, and better utilize current resources.

FINANCING PLAN

Planned Bond Financing for the Parking Structure

The Plan of Finance calls for the City to issue General Fund-backed lease revenue bonds in an amount sufficient to provide \$14 million for the parking structure project, fund capitalized interest for 2.5 to 3 years and cover costs of issuance related to the financing. Based on market conditions in June of 2012, staff estimated the City will need to issue approximately \$16.5 million of bonds. Given that market conditions may change and the bond sale is not planned until November of 2012, the Reimbursement Resolution before the Council (described on page 5 of the staff report 12-083) builds some market cushion in providing that the bonds are not *expected* to exceed \$18 million. The Plan of Finance calls for the Council to authorize the bond issuance in September 2012 and approve the Preliminary Official Statement (bond marketing document for potential investors) in November 2012.

In issuing General Fund-backed lease revenue bonds, the City uses its joint powers authority (the Public Facilities Financing Authority of the City of San Diego or “Authority”) to be the issuer of the bonds. This bond financing structure requires the creation of a lease between the City and the Authority. As noted on page 3 of the staff report, the City would initially lease up to two unencumbered City-owned General Fund properties to the Authority. The Authority would then lease the same properties back to the City at a lease payment sufficient to cover the debt service on the bonds. Once the parking structure is built and assigned to the City, the Plan of Finance contemplates switching the parking structure for the initially pledged City-owned properties in order to make it the subject of the financing lease arrangement.

Staff has preliminarily estimated annual debt service to be approximately \$1.1 million for \$16.5 million of General Fund-backed lease revenue bonds. Consultants hired by the Plaza de Panama Committee (PCI and Keyser Marston) have estimated net parking revenues to be approximately \$1.3 million. Using these estimates, the City's net parking revenue would provide approximately 118% coverage of the City's annual debt service obligation over the 30-year financing term. However, as noted in this report, there are a number of parking structure revenue and expense variables that could either increase, or significantly decrease, this coverage estimate. As has been the case with recently issued General Fund-backed lease revenue bonds, City financing staff believes it will be more cost efficient to issue these bonds without using/financing a debt service reserve fund.

The Plan of Finance uses two interrelated features to partially mitigate the General Fund's debt service exposure in the event net parking revenues are insufficient to cover the estimated \$1.1 million annual debt service payment. First, the City plans to borrow approximately \$2.1 million to be used as capitalized interest (part of the estimated total \$16.5 million bond issue). As described on page 4 of the staff report, capitalized interest is 1) needed to avoid General Fund involvement while the parking structure is being constructed and 2) will be used to pay annual debt service on the bonds during the construction period (anticipated to conclude by February 2014) and for some time

thereafter (possibly into FY 2016). Although the City pays financing costs for the privilege of its use, capitalized interest is necessary and eliminates any General Fund debt service exposure for possibly the first three years.

The second feature to partially mitigate the General Fund's debt service exposure involves the City's plan to develop a \$2.3 million Safety Fund "to cover annual debt service and operating costs for the parking structure and tram system." The \$2.3 million target amount was designed to equal one year of debt service and one year of operating expenses for the parking structure and tram. Given that net parking revenue will begin to be realized for up to 1.75 years (February 2014 through November 2015) while debt service is being paid with capitalized interest, the City has the opportunity to designate these net parking revenues into a Safety Fund. Beyond the capitalized interest period, the Safety Fund could also be funded or replenished with any net parking revenues that exceed projections. If the Safety Fund can be fully funded at \$2.3 million and if it is not needed to cover operating costs, it could provide a debt service cushion equivalent to approximately two years of debt service on the bonds. The IBA has been informed that the City has full discretion over its Safety Fund as it would not be governed by bond documents as would be the case for a bond debt service reserve fund. If the Safety Fund is fully funded at \$2.3 million, net parking revenue exceeding projections, if any, would be available for any General Fund purpose that the City deems appropriate.

Although net parking revenue is planned to fully support debt service, the General Fund ultimately backs a 30-year debt service obligation on the contemplated bonds. Based on several estimates/assumptions, the Plan of Finance provides the following buffers to General Fund debt service exposure:

1. Projected net parking revenue would provide approximately 118% coverage of the City's annual debt service obligation over the 30-year financing term.
2. Bond funded capitalized interest is necessary and eliminates General Fund debt service exposure for up to the first three years.
3. The City hopes to establish a Safety Fund of up to \$2.3 million to cover annual debt service and operating costs for the parking structure and tram system. If it is fully funded and not needed to cover operating costs, the Safety Fund could provide a debt service cushion equivalent to approximately two years of debt service on the bonds.

If net parking revenue projections can be met or exceeded, General Fund debt service exposure will be sufficiently insulated. However, it is important to note that the above referenced General Fund protections are quickly eroded should net parking revenues come in significantly and/or consistently under projections.

CONCLUSION

On July 15, 2011, the IBA released IBA Report 11-44, "Proposed MOU with the Plaza de Panama Committee". The report was a review of the proposed Memorandum of Understanding between the City and the Committee, and a preliminary review of the revenue and expense projections developed by PCI for the Parking Structure. In this report, the IBA raised several concerns including assumptions related to usage of a paid parking structure and projected revenues, the exclusion of security personnel costs within the proposed Project budget, and the potential impact of new ongoing operation and maintenance costs on the General Fund.

On June 7, 2012, Keyser Marston issued their report and found that in terms of reasonableness and in comparison to industry standards, the PCI projections relative to parking assumptions were achievable. Due to the critical nature of the parking revenue and expense projections to the feasibility of the Project, the IBA has discussed assumptions used the revenue and expense projections that could impact the General Fund. These assumptions included:

- Determining which parking lots to include in the parking demand calculation
- Establishment of additional special event parking revenues
- Security concerns related to the Parking Structure
- Addressing the additional operation and maintenance costs associated with all the Project related improvements, including the Rooftop Park
- Implementation of an employee parking management plan

The IBA recommends that the City Council consider the issues we have raised regarding the parking assumptions and related revenue and request the Mayor's Office and Project staff to respond to these issues.



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Attachment: 1. Pedestrian Walking Distances map

Pedestrian Walking Distances

