



COUNCIL AGENDA: 06/07/22  
FILE: 22-906  
ITEM: 2.22

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Ristow

**SUBJECT:** SEE BELOW

**DATE:** May 23, 2022

Approved

Date

06/01/22

**COUNCIL DISTRICT: 3**

**SUBJECT: AMENDMENTS TO THE MASTER PARKING RATE SCHEDULE  
ESTABLISHING A COMMERCIAL REAL ESTATE PARKING  
PROGRAM AND UPDATING VARIOUS PARKING PROGRAMS AND  
RATES**

## **RECOMMENDATION**

Adopt a resolution to amend the Master Parking Rate Schedule to establish a Commercial Real Estate Parking Program (Program) at City owned and operated facilities and update various parking programs and rates.

## **OUTCOME**

City Council approval of the proposed amendments to the Master Parking Rate Schedule will establish operational strategies and parking programs in better alignment with goals outlined in the Envision San José 2040 General Plan, Climate Smart San José, and Move San José.

## **BACKGROUND**

### *Commercial Real Estate Parking Program*

The City of San José (City) has long used its parking assets located within the downtown core along with various discounted parking programs to help drive economic activity. In addition to these adopted programs, the City Council has approved numerous individual and unique parking agreements with varying term lengths (five to 99 years) and rate structures.

Staff regularly receives inquiries and requests for long term parking agreements from downtown developers, property owners, as well as from current or prospective tenants of downtown offices. These requests typically fall into one of the following three categories:

- Pre-Development: Developers seeking to secure parking within City facility to offset the City's parking requirements for their development, or to increase the parking inventory for their property.
- Post-Development: Owners of existing properties seeking to secure parking within a City facility to increase the marketability of their property.
- Attraction & Retention: Existing or prospective tenants seeking parking within a City facility to enhance any parking provided onsite, or in the case of properties with no parking, to ensure some level of parking availability.

Historically, these requests have been reviewed by staff on a first-come first-served basis, analyzed against various metrics including facility occupancy and existing contractual commitments, with recommendations presented to City Council for consideration. As the downtown continues to evolve and densify, a growing number of requests from developers and tenants alike is anticipated. Currently, there are downtown projects totaling over 12 million square feet of commercial office space in various stages of development. These projects include those under construction like the Adobe expansion along San Fernando Street and 200 Park Avenue, and numerous other proposed projects ranging in size from 500,000 to over 3 million square feet.

Having clear guidelines with programmatic eligibility requirements to strategically use the finite supply of City owned or operated parking in support of economic development and the City's climate smart and mode shift goals would enhance staff's ability to allocate the City's available parking resources in the Downtown in an equitable manner and provide clarity to commercial property owners on the parameters of the City's long-term parking agreement options.

#### Additional Master Parking Rate Schedule Updates

The rate schedule contains many outdated legacy parking programs that do not directly support the City's current mode shift and transportation goals. For example, General Plan Goal TR-8 and 8.3 Parking Strategies identifies that the City should seek to "*develop and implement parking strategies that reduce automobile travel through parking supply and pricing management*" and "*support using parking supply limitations and pricing as strategies to encourage use of non-automobile modes*".

Providing free and/or highly subsidized parking conflicts with these goals and strategies. As the proposed Program for commercial properties will better align with the City's mode shift and transportation goals, while continuing to provide parking options in support of economic development, staff recommends sunsetting many of the discounted incentive programs.

The proposed rate schedule also includes updates to various existing parking rates, establishes a global access parking permit as a monthly permit option, and establishes a new reservation service fee for customers who pre-book parking.

## **ANALYSIS**

### **Commercial Real Estate Parking Program**

To formalize eligibility requirements for the commercial Program, the following framework is proposed. Attachment A provides expanded details on the proposed Program framework.

1. **Property Priority:** As many competing requests for agreements are anticipated, priority allocation of available parking will range from existing commercial properties at the top to proposed or conceptual projects at the bottom.
2. **Parking Ratio:** To align with City goals around greenhouse gas emissions, shifting from single occupancy vehicles, and downtown transportation and mode shift goals, the number of permits any one property is eligible for would be capped at a ratio of 1.5 permits per 1,000 sq ft, when also factoring existing or planned onsite parking.

The City's parking system cannot support the parking demand of all existing and proposed downtown development. The proposed permit ratio strikes a balance between parking demand and long-term commitments of the City's limited parking inventory to individual property owners. Commercial properties have an opportunity to explore alternatives, including establishing a robust transportation demand program, securing parking arrangements with privately owned facilities, and in the case of new developments, incorporating on-site parking with their development.

3. **Term Length:** The program would be structured with two distinct phases, a Hold period followed by an Active period. The Hold period is a length of time the agreement holder has before activating the permits for use. The Active period is the term length where the permits are assigned to parkers and activated for parking access.
4. **Permit Types:** To support program flexibility and provide choices at multiple price points, a global permit would be established to complement historical single garage access permits. All permit types would also remain available to interested parties on a month-to-month basis outside of the proposed commercial Program.
5. **Permit Rates:** The commercial Program permit rates would be based on whether the agreement holder is in the Hold or Active period. Permit rates would reflect a premium charge above month-to-month permit rates in consideration of the additional value provided through an agreement. This value add includes access to guaranteed parking for an extended period of time.
6. **Program Facilities:** Parking at the following four core downtown garages would be available for the commercial Program: Market Street, 3<sup>rd</sup> Street, 2<sup>nd</sup>/San Carlos Street, and 4<sup>th</sup>/San Fernando Street.

7. Permit Availability: Based on parking activity in the downtown core garages, up to 2,000 permits are currently proposed for the commercial Program. As agreements are executed, staff will closely monitor the status of the Program including demand, parking facility occupancy levels, and systemwide impacts to the City's parking facility portfolio. As executed agreements expire, parking permits will be returned to the commercial Program permit pool and made available for future qualified developments and/or properties.

*Additional Master Parking Rate Schedule Updates:*

***Sunset of Outdated Programs***

Consistent with the City's overall transportation and mode shift goals, staff is proposing to sunset various parking programs which historically have leaned heavily on free or reduced rate parking structures, and to instead focus on ensuring ample parking availability that is priced at market rates. Each of the following existing programs is proposed to sunset June 30, 2022.

*Clean Air Permit:*

Originally implemented in 2001, the program was designed to encourage early adoption and purchase of clean air vehicles in San José by providing free parking at city parking facilities and on-street parking meters. Staff recommends sunsetting the program at the end of FY 2021-22 based upon the following factors:

- The electric vehicle market has matured and adoption in Santa Clara County (approximately 75,000 zero emission vehicles registered in 2020) to the point where a City subsidy is not necessary.
- The City has established mode shift goals away from single occupancy vehicles, regardless of vehicle emissions status.
- Providing a subsidy program tied to the purchase of a premium product (\$56,000 average price for a new zero emission vehicle) is not in alignment with the City's overall equity efforts.
- The City's downtown garages currently offer a period of free parking to all customers (90 minutes) regardless of vehicle type.

*Discounted Parking Incentive Programs:*

Various parking programs implemented many years ago, between 2005 and 2011 were designed to provide free or significantly reduced rates for employee parking to new or relocating businesses and tenants. Discounts ranging from 25% to 100% were offered based on the type of business and/or property and agreement terms. Transitioning away from free and heavily discounted parking will align parking programs with the City's Climate Smart and General Plan goals.

Additionally, the legacy incentive programs focused on Class B and C property types and generally limited parking permits to a maximum of 50 or at a ratio of 1 permit/1,000 sq ft for each agreement. The proposed commercial Program builds upon these programs by expanding eligibility to more property owners (now includes Class A properties) and expands parking ratios to a maximum of 1.5 permits/1,000 sq ft. Through this new approach and Program framework, the City can better use its parking assets to assist a larger pool of existing and future downtown commercial properties. The few remaining executed agreements under these prior incentives, or unique agreements previously approved by City Council, would continue to be in effect through the term of the agreement.

### ***Global Access and Monthly Permit Parking Rates***

Historically, monthly parking permits have only been available to access a single specific garage, at times creating waitlists at the most desirable locations, and creating a perception that parking was unavailable in the Downtown. To address this, and to maximize utilization of the City's limited downtown parking inventory and maximize availability of permits for the commercial Program, some modifications to the existing monthly parking permit program are recommended.

The global permit option that is a key feature of the commercial Program would be made available to all existing and future monthly permit holders. The global permits will enable the City to issue more permits throughout the Downtown parking system as spaces in several garages have historically been underutilized. The proposed updated rates in the rate resolution are highlighted in the table below.

<b>Monthly Permit Parking Rates</b>		
<b>Permit Type</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Global Permit	NA - New Program	\$100/permit/month
Specific Garage *	\$100/permit/month	\$125/permit/month
Specific Garage (Premium Area)	1.5 x Specific Garage Rate	1.5 x Specific Garage Rate
Specific Garage (Reserved Space)	2.0 x Specific Garage Rate	2.0 x Specific Garage Rate

\* Market Street Garage currently \$125/permit/month

To provide time to communicate program and rate changes and for monthly customers to make choices, staff recommends that the introduction of the Global Permit and rate adjustments not take effect until January 2023.

### ***Special Event and Convention Center Daily Maximum Parking Rate Ranges***

The Master Parking Rate Schedule currently contains rate range flexibility for various daily and special event rates. These rate ranges have not been updated for several years, with event rates in use at different facilities currently set at the top of the existing established ranges. The rate schedule includes updated daily and special events rates. At most garages, the lower range of the special event rate would increase from \$5 to \$10; the upper range at the Convention Center

garage would increase from \$25 to \$35, Additionally, the upper range of the daily flat rate at various surface lots would increase from \$7 to \$10 to continue to enable rate setting flexibility.

Additionally, the Convention Center garage daily maximum incremental rate has been set at \$25 for many years and does not reflect the premium value associated with onsite event parking. The daily maximum rate is proposed to increase to \$35 while also giving Team San José the ability to offer a rate reduction to \$25 to clients at its discretion, in support of bringing activity back to the Convention Center. Team San José is supportive of the proposed rate changes for this garage.

## **CONCLUSION**

Approval of the recommendation will align the City's parking programs and pricing with the City's adopted Climate Smart and General Plan goals and establish the Commercial Real Estate Parking Program with clearly defined eligibility criteria, terms, and rates.

In addition to providing economic development support, these changes will help expedite agreement execution, establish guidelines aimed at providing opportunities for more commercial properties to obtain long-term agreements for parking at the City's core downtown garages, ensure that visitors and monthly parkers continue to have access to parking, and allow the City to maximize the use of its parking inventory.

## **EVALUATION AND FOLLOW-UP**

Staff will continue to present data and updates to the Downtown Parking Board (DPB) as needed at quarterly meetings and to the Transportation and Environment Committee via the DPB regular annual report.

## **CLIMATE SMART SAN JOSE**

The recommendations in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals by effectively pricing parking.

## **PUBLIC OUTREACH**

In addition to the DPB public forums, staff has had conversations with and obtained feedback from various downtown property developers, property managers, the San José Downtown Association, and Team San José on the proposed parking programs and rates.

This memorandum will be posted on the City's Council agenda website for the June 7, 2022 City Council meeting.

## **POLICY ALTERNATIVES**

***Alternative #1:*** City Council can elect to not approve the proposed amendments to the Master Parking Rate Schedule nor the establishment of the Commercial Real Estate Parking Program and to instead maintain the existing parking programs and rates.

**Pros:** Maintains existing discounted parking programs and current rates structures.

**Cons:** Long-term parking agreements will be executed on a first-come first-served basis without the ability to prioritize or limit parking requests and will require individual City Council consideration for each unique agreement. Alignment of parking programs in support of the City's overall Climate Smart and Mode Shift goals will not occur at this time. Additionally, current outdated parking programs will remain available and current rate structures will not be updated.

**Reason for Not Recommending:** In anticipation of a growing number of requests from developers and property owners, a formalized set of programmatic eligibility requirements that will meet a broad swath of stakeholder parking needs while aligning with broader City transportation and climate goals is necessary. Current outdated parking programs will also remain available. Failing to initiate these changes will miss an opportunity to create programs to meet City goals and support downtown economic development.

## **COORDINATION**

The Commercial Real Estate Parking Program was coordinated with the City's Office of Economic Development and the Mayor's Office staff. This memorandum was coordinated with the City Attorney's Office, the City Manager's Budget Office, and Planning, Building and Code Enforcement.

## **COMMISSION RECOMMENDATION/INPUT**

The proposed recommendations were reviewed and unanimously supported by the DPB during the following meetings:

- Commercial Real Estate Parking Program - September 1, 2021 and November 2, 2021
- Clean Air Permit - March 2, 2022
- Additional Proposed Master Parking Rate Schedule Updates - April 20, 2022

## **COST SUMMARY/IMPLICATIONS**

It is difficult to quantify the specific financial impacts of the proposed changes due to the variety of permit options and price points available under the proposed commercial Program. However, if all 2,000 permits made available through the Program are placed under agreement, it is

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estimated that the General Purpose Parking Fund could see an annual increase in permit revenues of approximately \$2 million - \$3 million. Any adjustment needed to reflect a higher estimate for permit revenues in the fund would be included as part of a future budget process. Potential changes in month-to-month permit revenues outside of the commercial program agreements are expected to be minimal.

### **CEQA**

Not a Project, File No. PP17-003, Agreements and Contracts that will result in no physical changes to the environment.

Statutorily Exempt, File No. PP17-005, CEQA Guidelines Section 15273, Rates, Tolls, Fares and Charges.

/s/

JOHN RISTOW

Director of Transportation

For questions, please contact Arian Collen, Parking Manager, at (408) 975-3246.

Attachment A: Commercial Real Estate Parking Agreement

## COMMERCIAL REAL ESTATE PARKING PROGRAM

The Commercial Real Estate Parking Program (“Program”) provides long-term parking agreements with existing and proposed commercial real estate properties located in downtown San José. The Program includes the following framework:

1. Project Priority: When reviewing competing requests for long-term parking arrangements, priority will be given in the following order:
  - a. Existing Property – No on-site parking
  - b. Existing Property – With on-site parking
  - c. Currently Under Construction
  - d. Approved Building Permit
  - e. Entitled Project
  - f. Proposed/Conceptual Project
2. Parking Ratio: The number of permits any one property is eligible for would be capped at a ratio of 1.5 permits per 1,000 sqft, when also factoring existing or planned onsite parking.

Parking Ratio (permits per 1,000 sqft)	
1.5	Developments with zero onsite parking
0-1.5	Combined ratio (onsite + City)
0	Developments with onsite parking $\geq 1.5/1,000\text{sqft}$

As the City’s parking system cannot support the parking demand of all existing and proposed downtown development, the proposed parking permit ratio strikes a balance between parking demand and long-term commitments of the City’s limited parking inventory to individual property owners.

3. Term Length: The program has two distinct phases, a Hold Period followed by an Active Period.

The Hold Period is a length of time the agreement holder has before activating the permits for use. In the Hold Period, an existing property has up to two years to market and lease their property, while a proposed or under construction development would have up to six years to facilitate the completion of the project. To ensure new developments make progress to completion, the program would include milestones as outlined in the table below.

Development Milestones	
Planning Approval	within 18 months of agreement execution
Submittal for Building Permit	within 12 months of Planning Approval
Building Permit Issued	within 12 months of submittal date
Breaking Ground	within 6 months of Building Permit Issuance
Certificate of Occupancy Issued	within 24 months of Breaking Ground

The Active Period is the term length where the permits are assigned to parkers and activated for parking access. Existing properties would be eligible for a term of up to five years. The term length for proposed new developments would be up to 10 years to take into consideration the financing and lending requirements typical of new construction.

4. Permit Types: To support program flexibility and provide choices at multiple price points, the following permit options would be available.
- *Global Permit* – Provides guaranteed access to parking within the downtown core garages (Market St, 3<sup>rd</sup> St, 4<sup>th</sup>/San Fernando, and 2<sup>nd</sup>/San Carlos) without assigning access to single specific facility. Access at certain garages may be limited during some peak occupancy periods to accommodate parkers with garage specific access permits.
  - *Specific Garage Permit* – Provides guaranteed access to a single specific garage.
  - *Specific Garage Permit (Premium Area)* – Provides guaranteed access to premium spaces within a single specific garage.
  - *Specific Garage Permit (Reserved Space)* – Provides an assigned space within a specific garage.

All permit types will remain available to interested parties on a month-to-month basis outside of the proposed Commercial Real Estate Parking Program.

5. Permit Rates: Permits will be charged at a rate of \$100 per permit per month during the Hold Period. During the Active Period, permits are charged at the higher of the then current market rate or the rates in the table below, plus annual increases of 3.5%.

Commercial Real Estate Parking Program - Active Period Rates	
Global Permit	Higher of Market Rate or \$125/permit/month
Specific Garage	Higher of Market Rate or \$165/permit/month
Specific Garage (Premium Area)	1.5 times the Specific Garage Rate
Specific Garage (Reserved Space)	2.0 times the Specific Garage Rate

*Fixed annual increases of 3.5%*

Program permit rates reflect a premium charge above monthly permit rates in consideration of the additional value provided through an agreement. This value add includes access to guaranteed parking for an extended period of time.

6. Permit Availability: Up to 2,000 permits will be available under the Program. A maximum of 200 garage specific permits will be available at each of the four core garages (Market, 3<sup>rd</sup> Street, 2<sup>nd</sup>/San Carlos, 4<sup>th</sup> / San Fernando). Individual agreement holders will have the ability to identify the specific permit types included within their agreement with the understanding that each agreement will only allow for up to 25% of the total parking permits under contract to be designated at a specific garage.

Following the expiration of a Program agreement, agreement holders will have the option, pending permit availability, to transition to purchasing parking permits on a month-to-month basis. Additionally, Program participation will be limited to one agreement per property or development.