



Ahead of the Curve  
in creative parking solutions

PARKING IN LIEU FEE STUDY

## CITY OF HEALDSBURG

Prepared for:

COMMUNITY DEVELOPMENT  
CENTER  
CITY OF HEALDSBURG

JANUARY 22, 2013



**WALKER**  
PARKING CONSULTANTS



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## EXECUTIVE SUMMARY

After the loss of Redevelopment Agency funding, and in light of continued strong interest from developers in its downtown, the City of Healdsburg tasked Walker with determining the proper amount for a fee in lieu of (required) parking spaces (an “in lieu fee” or ILF) within the City’s Downtown Parking Exemption (DPE) Area. The purpose of the fee would be the funding of the construction, maintenance and operation of new and existing parking spaces, as well as broader parking and transportation improvements in the Area. Based on our task, and understanding of the needs of the City at this time, we make the following conclusions and recommendations:

- In our experience, the cost of providing and maintaining parking spaces is typically much higher than cities expect. Cities are often faced with significant and unexpected expenses in this regard. A new source of revenue to fund parking improvements, operations and maintenance is advisable if the City does not want to draw on resources from the General Fund for this purpose.
- The City’s public parking system, both on- and off-street spaces, should be financed – and managed – comprehensively to maximize its ability to serve the public and minimize costs. We recommend the establishment of a Parking and Transportation Enterprise Fund. All fees collected for parking should be deposited in this fund for the purpose of providing parking and transportation services in Healdsburg and specifically the Downtown.
- We project that the combined construction and soft<sup>1</sup> costs for an approximately 360 to 420-space parking structure on the West Plaza Lot could total \$26,450± per space. However the construction of the parking facility in the lot would require that those spaces in the “footprint” of the new facility be reconstructed within the new garage. The result is that the cost per net new space of a structure built on the West Plaza Lot could be 33% to 50% higher than a structure that did not eliminate existing parking spaces. Fewer spaces at less cost, and cost per space,<sup>2</sup> could be provided by building a one level structure across most of the West Plaza Lot.
- We recommend the elimination of the Downtown Parking Exemption District contingent upon the creation of an in lieu fee parking program and related establishment of an enterprise fund from which to fund parking- and transportation-related improvements.
- We recommend that developers pay a one-time in lieu fee that is high enough to cover the capital and soft costs for the construction of a new parking structure, if such a structure is determined necessary. If less expensive, but equally effective, measures for

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<sup>1</sup> Throughout this report, capital, hard or construction costs refer to the cost of the materials and labor to construct a parking facility. Soft costs represent the design, financing, legal, insurance, administrative and other costs that do not go into the physical construction of the facility.

<sup>2</sup> We project approximately \$30,000 per space for a one level “table-top” structure over the West Plaza Lot.

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providing the public with access to the Downtown are identified,<sup>3</sup> we recommend that the guidelines of the parking enterprise fund be sufficiently flexible to allow for the funding of less expensive infrastructure or efficient methods of operation.

- Given the projected construction and soft costs, as well as the opportunity to share parking spaces between the land uses contained in future development, we project that a one-time ILF ranging from \$23,800 to \$39,500 per required parking space (based on the City's current minimum parking requirements) is the appropriate amount for a parking in lieu fee for Downtown Healdsburg, based on the assumptions used. We add that one parking space need not necessarily be provided for each code-required parking space. The sharing of parking spaces creates a cost savings for developers and a more efficient use of space in the Downtown area.
- In order to cover the capital and soft costs per net new space to be constructed, we recommend that the City charge an in lieu fee on the high end of the recommended range, \$39,500 per space.
- The recommended amount of the in lieu fee could be reduced significantly and cover the cost per structured (rather than net new) space; we project from \$23,800 to \$26,450. However in doing so the City would need to receive more payments in lieu of required parking spaces, spreading out the costs among more development and more demand for parking as well as increase the length of time necessary to fund and build a parking structure.
- Spreading out the costs of a parking structure among the projected short- and long-term development would bring the in lieu fee down below \$20,000 per space, but also require more time to fund the garage, and arguably serve more development as well.
- From a financial and likely a planning perspective the City would minimize its risk by requiring all developers to pay a fee in lieu of required parking, whether the developer chose to provide some parking on site or not. However, we recognize that, out of fairness, the City may seek fees only for the spaces not provided on site by the developer.
- The City should prepare for the possibility of a years-long delay between the time in which new development pays the required in lieu fees and time at which the parking spaces within a new parking facility will come on line. This is a common issue for cities that use financing from in lieu fees to construct a parking structure if the fees do not fully cover the cost per space or the City is relying on development over many years to fund the structure. Options the City may consider to address this issue are increasing the amount of the in lieu fee to allow for the financing of an entire parking structure before in lieu fees equal to the cost of the structure are collected. Another option is a parking

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<sup>3</sup> These measures could include bicycle infrastructure, pedestrian improvements, the leasing of existing private parking spaces, improved parking management and technology, or transit enhancements or service.

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management plan that helps manage additional parking demand using existing public and private spaces until a new parking facility comes on line.

- In addition to the one-time in lieu fee payment, we recommend that developers pay an on-going, parking "credit" fee of \$200 per required space annually. This fee would be used for maintenance of an off-street parking structure and/or the City's off street surface lots, as well as to fund parking management and enforcement in all the City's public parking spaces.
- From field work conducted by Walker staff in August 2013, we observed that 33 of 114 3-hour time-restricted spaces surveyed on downtown streets around and near the Plaza between 1:00 pm and 2:00 pm were occupied by cars parked for four hours or more. Some of these vehicles were parked for more than 8 hours; when the occupancy rate for on-street spaces around the Plaza was 98% virtually 30% of on-street spaces for visitors were effectively not available for short-term, visitor parking. This is not a criticism of the City's parking enforcement staff; in our experience these statistics are typical in popular downtowns where time-limits are the method used to encourage or enforce the turnover of visitor parking spaces.
- The construction of additional off-street parking may be necessary, but likely not sufficient to manage the demand for parking resulting from new development. For this reason, improved parking management, largely focused on more effective enforcement of on-street parking regulations, will be necessary if the Downtown area is to accommodate increased parking demand and more off-street public parking spaces.

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## INTRODUCTION

The City of Healdsburg has tasked Walker Parking Consultants (Walker) with determining an appropriate amount to charge developers in lieu of a requirement that parking spaces be provided to serve new development on their properties. The purpose of this analysis and report is to determine an appropriate amount for this fee.<sup>4</sup>

A parking in lieu fee policy has the potential to satisfy many policy objectives. These include:

- The funding and construction of parking spaces to accommodate the parking demand generated by new development, whether these spaces be new structured spaces or leased, private existing spaces;
- Flexibility for developers in terms of how they may satisfy parking requirements that in many cities are inflexible. The flexibility provided by a fee in lieu of providing a required parking space can encourage economic development;<sup>5</sup> and
- An emphasis or reliance on shared rather than reserved parking, which can result in fewer parking spaces in a commercial district serving more uses and, by extension, more destinations in the downtown.

In lieu fees are increasingly common in the United States and particularly popular among California cities. In one Walker financing study, we found that more than half of the cities whose policies we reviewed used in-lieu fees to help finance new parking facilities. However the amount of the fees varies substantially. In our experience, we have seen California cities charge from \$1,000 to \$70,000 per space for their fees in lieu of providing parking. Some cities collect an amount that is sufficient to build new structured parking spaces. Others charge enough to operate or maintain existing surface parking spaces.

The range in fees reflects cities' different policy goals and financial resources. Charging a low fee may reflect either a significant subsidy for parking provided by the City for the purpose of encouraging development and/or discouraging the (over) building of parking in a downtown area. A low fee may also reflect the availability of other revenue, typically from paid parking, which is to cover some parking construction, operations and maintenance costs.<sup>6</sup>

Charging a high in lieu fee may reflect high development costs but also that the parking will be provided free of charge for parking users; parking revenue will not be available to offset costs. A high in lieu fee may also demonstrate a City's unwillingness to provide a subsidy to

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<sup>4</sup> We note that the analysis contained within is for planning purposes and should not be used in bond or other financing documents.

<sup>5</sup> The current policy of a parking exemption district is arguably less restrictive than an in lieu fee policy. However an in lieu fee program is more flexible than most minimum parking requirement regulations given the need to accommodate more parking in the district, and more importantly, generate revenue to do so.

<sup>6</sup> Based on instructions from City staff, for the purpose of this analysis, from both revenue and parking management standpoint, we assume that neither on- nor off- street public parking will be priced.

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provide new parking spaces or even its desire that developers provide their own spaces on site, with the in lieu fee paid as a last resort.

Based on our discussions with City of Healdsburg staff, simply determining a parking in lieu fee amount could leave the city short of reaching its ultimate objectives of a parking system that can accommodate typical peak parking demand and create a positive customer service experience for all who come to Downtown Healdsburg. The creation or adjustment of parking policies, including the introduction of an in lieu fee requirement, how revenue from fees will be allocated, or even how on-street parking restrictions are enforced, will be necessary in order to properly meet the City's overall objectives. Throughout our report we will emphasize the importance of managing and funding the parking system comprehensively if the City is to achieve its overall objectives.

Without proper management procedures in place, it is likely that most drivers will cruise downtown streets in search of on-street parking spaces before choosing to park in off-street parking spaces. The result would be traffic congestion, over-subscribed on-street parking spaces and underutilized off-street parking spaces – the very spaces that the City is working to fund through in lieu fees.

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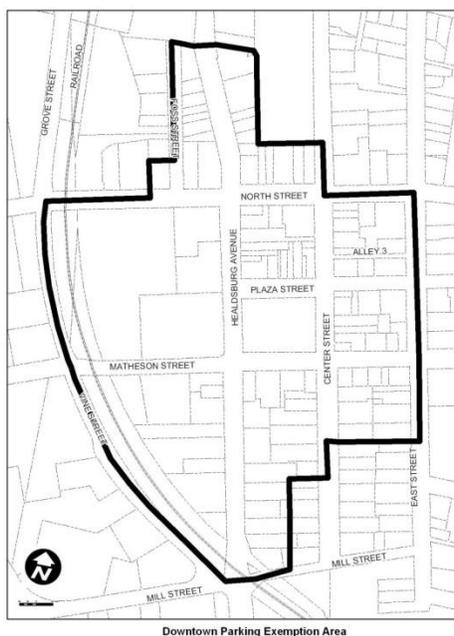


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## THE FUTURE OF PROVIDING AND FUNDING PARKING IN DOWNTOWN HEALDSBURG

Cities typically create off-street parking for the public by requiring development to provide a set number of on-site parking spaces per given metric, such as 1,000 square feet of a land use, a hotel room or a given number of seats for patrons. This is true in Healdsburg for parcels located outside of the Downtown Parking Exemption (DPE) Area. The DPE has eliminated minimum parking requirements for development within the Area boundaries. Per The City's Land Use Code (LUC) section 20.16.150.4.a,

Uses and structures located within the downtown area depicted below are not required to provide on-site parking, since new parking will be largely provided by the Healdsburg Redevelopment Agency, except as follows:



- a. On sites that contain a net lot area of 15,000 square feet or more and which are fifty (50) percent developed or less, based upon the maximum building intensity established by the Land Use Code, any new uses and structures commenced after the effective date of this Title shall provide a minimum of fifty (50) percent of the non-retail parking required by Section 20.16.150, or parking shall be provided within three hundred (300) feet of the site.
- b. One parking space per new residential unit shall be provided.
- c. No existing city-required parking spaces in place as of September 2, 1998 shall be removed within the downtown area, except where there are five or fewer such spaces located at the front of a site between the sidewalk and building.

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By exempting development from this parking requirement, the DPE has been successful in stimulating business and enhancing the district in a number of ways that likely include:

- Reduced costs for development. Required parking spaces often occupy more one half or more of a commercial parcel. When spaces are structured, they may represent 30% or more of the cost of development. The Downtown Parking Exemption has eliminated these costs for new development and businesses in the area.
- Maintained or enhanced character of the Area. By not requiring parking spaces in the District, the Exemption policy has maintained the physical integrity of the historic downtown and allowed the finite amount of space in the district to be used for destinations and not automobile storage (parking).
- Promotion of shared parking. The Downtown Parking Exemption Area has, de facto, required that virtually all public parking spaces in the Area be shared, whether on-street parking spaces or spaces in the West Plaza Lots or other City-owned lots. When parking spaces are shared they are more efficient and serve more people and destinations throughout the day. More land is available for businesses and other destinations, which makes for a more vibrant downtown.

Downtown Healdsburg continues to experience new development within its Downtown area including its parking exemption zone. While the DPE has achieved the objective of stimulating growth in the City's core, the additional new development that is anticipated, much of it imminent, will generate more demand for parking spaces, thereby putting more demand on the existing supply of public parking.

The effectiveness of the Downtown Parking Exemption policy has depended on the Redevelopment Agency's past funding of the purchase and construction of the West Plaza and other City lots. However, with the State's dissolution of the Redevelopment Agency, the construction, maintenance and operation of current and additional public parking improvements will require a new funding source to continue. In our experience, cities grossly underestimate the capital and maintenance costs of providing parking. This is the impetus for a study identifying an appropriate fee to charge development in lieu of providing on street parking spaces.

## THE FUTURE OF THE DOWNTOWN PARKING EXEMPTION (DPE)

While a new parking structure would result in the most significant outlay for parking expenditures in the future, even the maintenance – and likely management - of existing parking lots represent future parking cost outlays. Whether or not the DPE continues in its present form, the City will need to identify a revenue source with which to fund parking in the future. We note here that a key assumption within this report, both with regard to parking revenue and the ability to manage parking demand, is that parking will remain free to drivers in the Downtown area. Below we identify the likely results of continuing or eliminating the Downtown Parking Exemption Area while maintaining existing policies.

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## *SCENARIO 1: THE DPE REMAINS IN EFFECT*

Based on our experience and analysis, we project that maintaining the Downtown Parking Exemption area in its present form, as development continues to occur, is likely to have to have many or all of the following consequences:

- With the elimination of the Redevelopment Agency, a lack of revenue to fund parking improvements Downtown either preventing such improvements from taking place or requiring that improvements be funded by the City's General Fund;
- A strain on the existing public parking system's ability to meet the demand for parking, as the demand for parking increases and supply remains the same or decreases, making parking spaces for visitors more difficult to find and potentially negatively impacting businesses in the downtown area;
- Although not required by City code, the creation of greater amounts of onsite parking spaces reserved for specific uses as the supply of public parking is likely to remain static. This onsite parking is likely to result in more land within the traditional downtown devoted to parking rather than businesses and destinations;
- More onsite parking would likely lead to more curb cuts along sidewalks as well as "broken teeth," or gaps in the facades and building frontage along the streets. Both conditions negatively impact a neighborhood's "walkability" and attractiveness to pedestrians;
- The loss of the opportunity to share - and therefore the opportunity to build fewer - parking spaces and the opportunity for drivers to park just once in the district; and
- Ad hoc and patchwork solutions to specific parking problems and issues, both on the part of the City and the development community, rather than comprehensive, predictable, fair, and ultimately effective measures for solving parking solutions.

## *SCENARIO 2: ELIMINATION OF THE DPE, WITH NO IN-LIEU FEE PROGRAM IN PLACE*

Based on our understanding, the elimination of the DPE would translate into the reinstatement of existing city-wide minimum parking requirements placed on all new development in the area. We project that the consequences of eliminating the DPE in some situations may not be different from maintaining them as developers in both cases would be likely to build some onsite parking that they deemed necessary. However by eliminating the DPE, developers would be required to build more parking for each new development, thus increasing the overall parking supply.

We note that the 2008 Parking Study conducted by TJKM suggested that the City's minimum parking requirements may be higher than necessary to accommodate parking demand in the Downtown area. The extent to which the City's parking minimum parking requirements should be adjusted is beyond the scope of this study. Nonetheless, even if parking requirements were adjusted downward, it is likely that the elimination of the DPE would still have similar, though

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possibly less severe, consequences. We predict that elimination of the DPE would lead to many of the following results:

- An increase in the number of parking spaces in the area;
- Less opportunity to share parking between off-street– and therefore less opportunity to build fewer – parking spaces; more parking spaces would be required to accommodate the same number of land uses;
- Less opportunity for drivers to park just once in the (“park once”) district;
- A negative impact on business in the area as new development would be required either A) to address the cost and physical constraints of providing on-site parking or B) reduce the size of development or not develop at all;
- A larger percentage of physical space within the traditional downtown devoted to parking than to businesses or other destinations;
- More onsite parking, leading to more curb cuts along sidewalks as well as “broken teeth,” gaps in the facades and building frontage. Both conditions negatively impact a neighborhood’s walkability and attractiveness to pedestrians;
- Ad hoc and patchwork solutions to parking problems and issues, by both the development community and City staff, rather than predictable, standard and fair procedures for solving parking issues; and
- A lack of revenue to fund parking improvements Downtown either preventing such improvements from taking place or requiring that improvements be funded by the General Fund.

### *SCENARIO 3: REPLACEMENT OF THE DPE WITH A FEE IN LIEU OF REQUIRED PARKING SPACES*

Under this scenario, minimum parking requirements would be (re) instated in the area, but could be satisfied with a payment in lieu of providing the required parking spaces on site.<sup>7</sup> The payments collected in lieu of required parking spaces would be used to accommodate the additional demand for parking in a public parking facility where parking spaces would be shared.

Below we outline the advantages and disadvantages of this scenario for providing parking:

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<sup>7</sup> In some cases, the developer has the choice of whether or not to build the parking spaces or pay the in-lieu fee. In a few cases, the municipality requires that the developer pay the in-lieu fee instead of building parking.

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## Advantages of an in lieu fee policy:

- A funding source for construction, management and maintenance of public parking spaces, and potentially for other modes and transportation-related improvements ranging from bicycles, transit or pedestrian improvements that can increase the effective supply of parking serving the area. A flexible use of these fees could be used to improve the management of existing spaces to accommodate more people or to lease private parking spaces for use by the public if such a policy is found to be necessary or cost effective;
- A fair funding source for parking that has a clear nexus between the development that will generate new parking demand in the district and that which will pay for the parking to accommodate the additional demand;
- Flexibility for developers in how to provide (and pay for) parking spaces;
- Flexibility with regard to a change of use (particularly for historic buildings). Should the use of the property change, for example a retail space changed to a restaurant use, additional in-lieu fees can be assessed for the increase in parking demand generated by the new use;
- Shared parking, which in the case of Healdsburg should make parking spaces more efficient, thus lowering costs and the amount of land needed for vehicle storage;
- Promotes a "park once," district in which customers can park one time to visit several destinations as opposed to having to move their cars between private parking lots after visiting one establishment;
- Historic Preservation. Buildings that might otherwise face challenges or be unusable or unusable due to an inability to meet parking requirements may find it easier to find tenants. Under the current DPE area, historic buildings do not face this challenge but they do not contribute resources to mitigate the parking issues they generate either;

## In lieu fee disadvantages and caveats:

- The elapse of time between the payment of in lieu fees by a developer and the availability of new public parking spaces. This concern can be mitigated if public parking spaces are currently available or through stop gap measures, such as the leasing of currently reserved private spaces to increase the parking supply in the short term. In addition, from a construction perspective, horizontal garage expansion could allow a parking structure to be built in phases in order to keep pace with increasing demand in the downtown area for parking.

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- High in lieu fees may discourage development.<sup>8</sup> Developers may balk at paying in-lieu parking fees if they perceive them as too high. Similarly, high fees may defeat the purpose of a parking in lieu program if developers choose to simply provide their own reserved parking on site. Providing on-site parking represents a real cost for developers in terms of land, capital (whether for a surface or structured space), and the opportunity cost of devoting land to parking instead of a revenue generating use. In most cases the developer can easily make this calculation. To the extent that the in lieu fee amount is less than the cost to the developer, it can represent a good opportunity. To the extent that the fee is higher than the value to the developer, the developer would choose not to participate, and the opportunity to provide shared, public parking would be lost;
- Low in lieu fees may not be sufficient to cover the capital and maintenance costs of new or existing parking spaces. In lieu fees may have to be one of many sources of revenue used to finance the parking system;
- Fewer on-site parking spaces may be less desirable to many developers than providing parking for their patrons or employees on site;
- The public parking spaces constructed by in lieu fees are not reserved or guaranteed for specific uses. With a businesses' own private parking, it is easier to ensure that customers have spaces.

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<sup>8</sup> A few cities mandate the payment of in lieu fees whether or not the developer provides parking space on their site. Such a practice reduces developer flexibility and can increase developer cost, if some on-site parking spaces are deemed necessary to the success of the project.

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## METHODOLOGY FOR DETERMINING AN IN LIEU FEE

Our methodology for determining an appropriate in lieu fee relies on a number of different inputs, assumptions and variables. We use the following inputs in our calculation:

- Costs for a proposed parking structure including
  - Capital, or hard, costs, which in this case include the cost of materials and labor to construct the actual parking space;
  - Soft costs, which may include the costs to design, financing, engineering, legal and insurance fees;
  - Maintenance and operating costs for the entire downtown parking system;
- Possible cost adjustments based on efficiencies from shared parking;
- Costs of managing (enforcing) the downtown parking system; and
- Projected parking requirements for future short- and long-term development, which will dictate the total amount of revenue generated by an in lieu fee policy.

The determination of the appropriate in lieu fee also depends on variables that will ultimately depend on the decisions and priorities of stakeholders and City leaders. For the purpose of the study we note some of these variables and provide what we believe are pragmatic assumptions:

### **Question 1: How many new (structured) parking spaces should be funded by in lieu fees?**

Answer 1: We assume that in-lieu fees will be used to add parking capacity to accommodate the demand for parking generated by either A) projected short-term or B) short- and long-term development, using the development assumptions provided by City staff and the 2008 Parking Study. For this reason we will provide a range of recommended in lieu fee amounts.

### **Question 2: Should some parking spaces be built “ahead” of the market, before the actual development is underway? If so, how many years ahead of the market should spaces be provided?**

Answer 2: Parking spaces should be built ahead of the market to the extent A) the City is confident in the likelihood of the future development occurring and B) the City is willing to provide some sort of gap financing (and arguably incur some risk) until in the lieu fees from future development are received. Given the greater predictability of development occurring in the near term, the City may wish to use in lieu fees from this development to fund a limited number of spaces and then provide parking as development continues to occur. We note that not all development may warrant additional, public structured parking.

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**Question 3: At what rate would in lieu fees be so high as to negatively impact development?**

Answer 3: Determination of appropriate land and development costs is beyond our scope for this study. However we will be mindful that the City does not wish to impose fees that are onerous to new development and recognize that the total cost of structured parking must have a limit.

**Question 4: Should the payment of in lieu fees be mandated or only required to the extent that parking spaces are not provided on the site of development?**

Answer 4: City staff has stated that, out of fairness, it would only require developers to pay for parking spaces that they will not provide on their site.

**Question 5: Should the City use in lieu fee payments to build enough spaces to satisfy its minimum parking requirements for development in the short term or in the long term?**

Answer 5: No. We assume that the number of fee payments in lieu of required parking would – be tied to the City's minimum parking requirements however the actual number of spaces provided may not. Doing so could be costly and potentially overbuild parking that, due to sharing, will be more efficient than stand-alone, required parking. Ultimately, the City should use in lieu fee payments to provide parking in as cost-effective and customer-friendly a manner as possible. We suggest that the actual demand for parking be determined using a shared parking model. We use the Walker/Urban Land Institute (ULI) shared parking model. The City should also seek to make use of existing public, private, on- and off-street spaces as a cost- and space-saving measure.

## ASSUMPTIONS REGARDING A FUTURE PARKING STRUCTURE

Our cost projections assume that the proposed parking structure would be situated in the 171-space West Plaza (Parking) Lot, located between Foss Creek, the railroad right of way, and North Matheson Streets.<sup>9</sup> The existing pedestrian connection between the Lot and Healdsburg Avenue would be maintained to provide parkers in the structure with direct pedestrian access to the commercial district.

The precise size of the structure has not been determined, but Walker has concluded that the dimensions of the surface lot are sufficient to provide maximum efficiency for a three to four level parking structure of approximately 360 to 420 spaces. Based on a preliminary analysis, Walker has determined that this number of parking spaces could be accomplished with a multilevel parking structure over a portion of the lot. Based on the quality of the development currently occurring in the area, we assume that the parking structure would be of an attractive design and reasonable, though not extravagant, façade treatments.

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<sup>9</sup> The number of spaces in the existing lot is from TJKM's 2008 Parking Study of the downtown district. Unless otherwise noted, all data regarding the parking supply and demand in the district comes from this Study.

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It would likely also be possible to “deck over” virtually the entire existing surface lot, although this scenario would result in fewer additional spaces. Later we discuss that this scenario could result in less expensive parking spaces, albeit fewer additional spaces in total.

It is assumed that parking in the structure and on the street would be free to drivers, as would on-street parking. The operation of the structure and enforcement of parking restrictions will be undertaken by the City's parking enforcement operation. We assume no parking access and revenue control equipment in the structure, or additional enforcement staff employed other than those employees currently employed by the City for this purpose. We understand that the City has recently hired a part-time parking enforcement officer.

## PARKING STRUCTURE COSTS

Walker preliminarily projected the costs that the City is likely to incur when building, operating and maintaining a public parking structure. We note that, realistically, some of these costs are likely to be ongoing rather than the upfront, lump-sum costs typically associated with an in lieu fee.

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## CONSTRUCTION AND SOFT COSTS<sup>10</sup>

Walker analyzed the construction cost per space of its three most recent parking structure designs in the San Francisco Bay Area and compared those construction costs to our general cost projections to confirm their validity. A summary of these structures and their cost is shown in Table 1 below.

Table 1: Construction cost per space –Sample Bay Area Public Parking Structures Last Three Years

Parking Structure	Spaces	Cost	Cost per space (rounded)	Comments
San Leandro (Municipal Structure)	380	\$ 7,900,000	\$ 20,789	Bike facility. 2ksf of chamber of commerce space. LEED. Bid in August 2010 during the heart of the recession.
San Leandro (Municipal Structure) 2nd Highest Competing Bid	380	\$ 8,850,000	\$ 23,289	The next lowest bidder for the facility above was nearly \$1M higher than the winning bid.
Public (Federal) Facility - San Francisco	377	\$ 8,400,000	\$ 22,281	Under construction. Tight site in SF. Shallow foundations and very little architecture.
Community College (East Bay)	900	\$ 22,000,000	\$ 24,444	Includes an extensive amount of sitework involved with roadways, retaining walls and landscaping, so it is difficult to tell what the construction cost is for the garage itself
<b>Average</b>			<b>\$ 22,700</b>	

Source: Walker Parking Consultants, 2013

<sup>10</sup> Capital, hard or construction costs refer to the cost of the materials and labor to construct a parking facility. Soft costs represent the design, financing, legal, insurance, administrative and other costs that do not go into the physical construction of the facility.

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While characteristics of the design of each facility raised the construction costs above a “bare bones” parking structure, we suggest that the planned Healdsburg garage may similarly include some exceptional elements.<sup>11</sup> We therefore base our construction cost projection on the average of the four cost projections above.<sup>12</sup> Based on this information we project a construction cost per space of \$23,000± in today’s dollars. Based on our experience, we assume additional soft costs equal to 15% of construction costs or \$3,450± per space. Walker found these cost figures to be consistent with the average cost per space of comparable parking structures we have designed in Northern California since 2009.

### PROJECTED REPAIR AND MAINTENANCE COSTS

In addition to operating expenses, Walker highly recommends that funds be set-aside on a regular basis to cover structural maintenance costs. We recommend the establishment of a maintenance sinking fund within the parking enterprise fund.

We typically suggest that a *minimum* of \$75 per space annually be placed in a sinking fund. For the purpose of our projections, we conservatively assume \$90 per space annually in today’s dollars over the lifetime of the garage, owing to the increased maintenance needs and costs of a parking facility over time. Once a sinking fund is established, contributions to this fund would accumulate over time and be available to cover structural maintenance and structural repairs. Even the best-designed and constructed parking facility requires structural maintenance. For example, expansion joints need to be replaced and concrete invariably deteriorates over time and needs to be repaired to ensure safety and prevent further deterioration.

The structural maintenance cost typically represents the largest portion of the total maintenance budget. Facility owners tend to grossly underestimate the structural maintenance cost and budget inadequately for timely corrective actions that must be performed to cost-effectively extend the service life of a facility. Also, the adverse impact of ineffective structure maintenance is deferred. Therefore, it is difficult for most owners to recognize or realize the long-term benefits of timely corrective and preventive maintenance actions. The cost of structure maintenance is relatively small considering the potential liability associated with the neglect of properly maintaining a facility.

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<sup>11</sup> For example bicycle parking spaces and/or leasable space on the ground floor of the parking structure.

<sup>12</sup> We deliberately include the second highest bid for San Leandro’s municipal parking structure given the exceptional circumstances of the recession at the time construction firms competed for this contract.

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Table 2: Projected Annual Long-term Costs in 2013 dollars

	\$/space/year
Structural system maintenance cost	
Preventative maintenance	\$45
Replacement maintenance	\$90
Routine maintenance	\$77
Elevator (two units @ 450 spaces)	\$29
<b>Total annual maintenance</b>	<b>\$236</b>

Source: Walker Parking Consultants, 2013

Operating costs assume no paid parking (and its potential for revenue to offset costs) or the associated costs of staffing or equipment. Based on our assumptions, annual maintenance and operating costs are projected to be \$236 per space on the conservatively high end. A garage, properly maintained, could be expected to be in existence more than twice this amount of time. For this reason, instead of a lump sum amount, we recommend that ongoing maintenance and operating costs be paid annually by developers, in the form of a parking “credit” program rather than as part of the one-time parking in lieu fee.

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## SHARED PARKING EFFICIENCIES AND DEMAND GENERATED BY NEW DEVELOPMENT

In the previous section we established a projected capital and soft cost per space for a future, above-grade, structured parking facility, located on the West Plaza Lot, in Healdsburg. We assume that all spaces in the planned parking structure would be shared by visitors and the employees of businesses in the Downtown. The degree to which spaces are shared should reduce the cost per space to the properties that pay an in lieu fee. One parking space may be able to serve more than one parking user or business because the demand for parking can be by hour, by day, or by season, depending on the destination.

In this section of the report we determine the extent to which the in lieu fee can be reduced as a result of the efficiencies gained by sharing parking. In doing so, we also project the peak demand when all the new uses share parking spaces.

A policy which allows developers to pay a fee in lieu of providing required parking offers enormous advantages over typical minimum parking requirements for both the city and developers. Most of these advantages are related to shared parking and include:

- The use of fewer parking spaces to serve the same number of vehicles;
- A concomitant reduction in the cost of providing parking;
- More land in the district devoted to destinations rather than, what is essentially, vehicle storage;
- Improved walkability in the district with the reduction or elimination of the “broken teeth” of parking lots along streets as well as a shortening of walking distances between destinations.

The first two bullets apply directly to our discussion of cost reductions.

We use the Walker/Urban Land Institute (ULI) Shared Parking Model in order to confirm the level of sharing between the new land uses. In the process, we also project the future peak demand for parking that the new land uses will generate in aggregate; how much additional parking demand will the short- and long-term land uses likely add to the existing demand for parking.

### WHAT IS SHARED PARKING?

Shared parking is the use of a parking facility or system to serve two or more individual land uses without conflict or encroachment. The ability to share parking spaces is the result of two conditions:

1. Variations in the accumulation of vehicles by hour, by day, or by season at the individual land uses, and
2. Relationships among the land uses that result in visiting multiple land uses on the same auto trip.

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The West Plaza Lot is largely a shared parking facility, as are on-street parking spaces. Downtown Healdsburg is, in fact, currently a working shared parking district with the exception of some privately owned parking lots that have reserved spaces.

A shared parking analysis considers the types, quantities and user groups of land uses for a development, as well as site- and market-specific characteristics. The four key components of a shared parking analysis are:

- Base parking ratios: Each land use has a specific metric considered by the parking industry to be a reliable meter of parking demand for that use. For office buildings that metric is square footage (GFA), for hotels that metric is the number of rooms, etc. The ratios used in our Shared Parking Model are based on extensive research conducted as part of the development of the Model.
- Mode split reflects a reduction in anticipated spaces needed to account for visitors and employees who arrive at the site by means other than a single-occupant vehicle (SOV). These other means include mass transit, carpooling/vanpooling, drop offs, bicycling, or walking from locations outside of the development site, etc.
- The non-captive ratio is the second factor modified when tailoring a shared parking model. "Captive market" is borrowed from market researchers to describe people who are already present at certain times of the day. In a shared parking analysis, the term "captive market" reflects the adjustment of parking needs and vehicular trip generation rates due to interaction among land-uses internal to the site. Traditionally, a non-captive adjustment is used to fine-tune the parking requirements for restaurants and retail patronized by employees of adjacent office buildings, or by other persons, generally long-term parkers, already counted as being parked for the day (including residents and their guests).
- Presence Factors: Presence is the last factor applied to user group parking demand in a shared parking model; it is expressed as a percentage of potential demand modified for time of day and time of year. Considering that parking demand for each land use peaks at different times, generally, shared parking results in fewer parking spaces being recommended than would be the case were the land uses considered separately.

## ASSUMPTIONS USED TO CALCULATE FEES REDUCED FOR SHARED PARKING

For the purposes of this analysis we use the Walker/ULI Shared Parking Model to calculate the difference between the number of spaces that would be required for stand-alone land uses and the number of spaces necessary if the different land uses share parking. We note that we make this calculation based on the results of the Model and not the City's minimum parking requirements as code requirements tend to be more general than the Model.<sup>13</sup>

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<sup>13</sup> At some point the City may wish to revise the minimum parking requirements contained in its municipal code, particularly with regard to the use of applying existing requirements to the current Parking Exemption Zone given conditions there that are different from other parts of the City. A review

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Our assumptions regarding the type of land uses that will be built in the future inform the potential for sharing parking spaces. For the purpose of this analysis we make the following assumptions about future development scenarios for the district. We note that the development includes either new construction or the lease up of existing spaces:

## Assumption #1: Projected short-term development (next 1 – 2 years)

- Hotel uses totaling up to 140 rooms and including a mix of 10,000 sf of auxiliary uses. We note that during the course of the study a number of different development scenarios were contemplated. This assumption used for development in the short-term represents a conservatively high parking demand scenario which we emphasize is not being contemplated, but is instructive for the purpose of financial and parking demand analysis.

## Assumption #2: Projected mid- and long- term development (next 3 – 7 years) not including lease-up of vacant space:<sup>15</sup>

- New restaurant space totaling 300 seats (7,200 sf);
- 23,000 sf retail;
- 24,000 sf office;

The mid- and long-term development assumptions are based on those used in the 2008 Parking Study. This scenario also is also instructive for the analysis. Once again, we recognize that these plans will likely not be constructed as described.

## Assumption # 3: Mode split

We assume a drive ratio of 40% to 65% for customers of restaurant and retail establishments, based on the "park once" nature of the district and the significant number of hotels in the area.<sup>16</sup> We assume a drive ratio of 90% to 100% for employees assuming that most employees would be driving alone to work.

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of and recommendations for adjustments to the existing requirements is not part of the current scope of work. The use of a parking in lieu fee and shared parking between land uses would mitigate the threat of overbuilding parking. We note that TJKM's study, which showed peak parking occupancy rates in the district of less than 65% overall, specifically suggested that minimum parking requirements in the City's downtown district could be reduced without the district suffering a shortage of parking spaces.

<sup>15</sup> Based on the assumed future development scenario used in TJKM's 2008 Parking Study, Table IV: Mid-to Long-Term Parking Impacts from Development in the Exception Area, page 38.

<sup>16</sup> We note that the drive ratio for employees is projected at 90% to 100% depending on the type of business.

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## PROJECTED REDUCTIONS IN PARKING DEMAND FROM SHARED PARKING

Table 3 and Table 4 demonstrate the results of modeling future development in the district. With regard to the percent reduction in the demand for parking spaces resulting from shared parking we found:

- A projected reduction in the peak demand for parking of 31%± based on the projected short term land uses; and
- A projected reduction in the demand for parking of 45%± based on the projected long-term land uses.

While not the focus of our modeling exercise, with regard to the projected increase in demand for parking in the downtown we found:

- A projected, additional demand for 229± spaces in the short term and 359± spaces in the combined short and long term total;
- The projected increase in parking demand in the short term is primarily the result of the demand for hotel parking, which peaks in the evening. The projected increase in parking demand during the district-wide peak hour identified in the 2008 Parking Study is 171± parking spaces.
- We note that the long-term additional parking demand approximately corresponds with the (weekday afternoon) peak parking demand identified in the 2008 Parking Study.
- The additional demand for parking spaces does not take into account the loss of parking spaces resulting from construction on surface parking lots.

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Table 3: Short-Term % Reduction in Spaces and Demand Projected Due to Shared Parking

Land Use	Weekend					Demand Mar 9:00 PM
	Unadj Demand	Month Adj Mar	Pk Hr Adj 9:00 PM	Non Captive Evening	Drive Ratio Evening	
Community Shopping Center (<400 ksf)	6	64%	30%	80%	40%	0
Employee	2	80%	65%	100%	100%	1
Hotel-Leisure	140	100%	95%	100%	100%	133
Restaurant/Lounge	12	95%	67%	30%	70%	2
Meeting/Banquet (20 to 50 sq ft/ guest room)	132	100%	100%	70%	75%	69
Employee	25	100%	55%	100%	100%	14
Hotel spa	5	100%	100%	75%	60%	2
Employee	3	100%	100%	100%	100%	3
<b>Subtotal Customer/Guest Spaces</b>	<b>295</b>					<b>206</b>
<b>Subtotal Employee/Shared Resident Spaces</b>	<b>30</b>					<b>18</b>
<b>Total Parking Spaces</b>	<b>333</b>					<b>229</b>
					<b>% reduction</b>	<b>31%</b>

Source: Walker Parking Consultants, 2013

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**Table 4: Long Term % Reduction in Total Spaces Projected Due to Shared Parking<sup>17</sup>**

Land Use	Weekday					Demand Mar 2:00 PM
	Unadj Demand	Month Adj Mar	Pk Hr Adj 2:00 PM	Non Captive Daytime	Drive Ratio Daytime	
Community Shopping Center (<400 ksf)	72	64%	95%	80%	40%	14
Employee	17	80%	100%	100%	100%	14
Fine/Casual Dining	110	95%	65%	100%	65%	44
Employee	20	100%	90%	100%	90%	16
Hotel-Leisure	131	100%	70%	100%	100%	92
Restaurant/Lounge	12	95%	33%	90%	60%	2
Meeting/Banquet (20 to 50 sq ft/ guest room)	132	100%	65%	60%	75%	39
Convention (>50 sq ft / guest room)	0	90%	100%	60%	75%	0
Employee	37	100%	100%	100%	100%	37
Office <25,000sq ft	7	100%	100%	100%	100%	7
Hotel spa	5	100%	95%	75%	60%	2
Employee	3	100%	95%	100%	100%	3
<b>Subtotal Customer/Guest Spaces</b>	<b>469</b>					<b>200</b>
<b>Subtotal Employee/Shared Resident Spaces</b>	<b>161</b>					<b>154</b>
<b>Total Parking Spaces</b>	<b>638</b>					<b>359</b>
					<b>% reduction</b>	<b>44%</b>

Source: Walker Parking Consultants, 2013

The findings above demonstrate the ability to share a significant percentage of the parking for the new land uses projected for the district. Our findings also show that the percentage of shared parking is likely to increase as a greater variety of new land uses are built over time.<sup>18</sup> The size of a shared parking reduction, if any, will depend on further findings in the report.

## FUTURE SYSTEM-WIDE PARKING ADEQUACY

Parking adequacy reflects the number of available (unoccupied) spaces in a given location minus a “cushion” of spaces to allow for proper traffic circulation and absorb temporary spikes in demand. In order to make informed decisions regarding the amount of an in lieu fee and, relatedly, the number of structured parking spaces to build, in the following tables we project overall parking adequacy for the district in order to project parking adequacy district-wide after new development occurs.

<sup>17</sup> The long term demand projection includes the short-term parking demand projection included in the previous table.

<sup>18</sup> We note that, as more general commercial rather than hotel uses are built, the peak demand for parking from the new uses is more likely to shift to a weekday early afternoon peak demand, the same as for the district as a whole, according to the 2008 Parking Study.

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The projections contained in this section are beyond the initial focus of our study. In addition, planners and business people in large commercial districts and developments have argued that system-wide projections of parking adequacy may not be practical. Can all the public and private, on- and off-street parking spaces over a large area, such as that studied in the 2008 Parking Study really be utilized to meet what may be relatively concentrated sources of parking demand? The answer to this question lies, in part, with the local stakeholders who know Healdsburg best. Our purpose in presenting the results of this portion of the analysis is to demonstrate the amount of flexibility that the City may have with regard to parking planning for the future.

### *ASSUMPTIONS USED IN SYSTEM-WIDE PARKING ADEQUACY ANALYSIS*

Our projection of parking system-wide adequacy is based on the following short- and long-term assumptions:

- Baseline parking supply and peak demand is assumed to be the same as that quantified in the 2008 Parking Study; and
- Future development – and the associated additional parking demand generated in the district – is projected to be the same as the potential future development identified in the Shared Parking Model used in the previous section in this report with the exception of the lease up of the vacant commercial space identified in the 2008 Parking Study in the long term.

In most cases new development will not only result in a greater demand for parking spaces, but will also reduce the supply of parking spaces. The elimination of 101 existing parking spaces in both the short- and long-term was calculated in the 2008 Parking Study as the number of parking spaces lost to new development. Within the Study it was also calculated that approximately 81 new parking spaces would be provided on-site for new, short-term development. We use these same assumptions in this analysis. We note that the 2008 Parking Study identified 1:00 pm as the peak for both the weekday and weekend peak. We therefore used the Model's parking demand projections for that hour as well and not the peak demand for the new development, which in some cases occurred in the evening.

### *FINDINGS OF THE SYSTEM-WIDE PARKING ADEQUACY ANALYSIS*

It should be noted that the allocation of parking demand in the analysis to off-street spaces is somewhat misleading; a more sophisticated analysis would be required to identify how new parking demand would be distributed between on- and off-street spaces. However, the purpose of this analysis is to identify the ability of the parking system overall to absorb parking demand from new development.

The analysis demonstrates that the future parking supply is technically adequate to accommodate the demand for parking generated by the development that is projected to occur in the DPE in the short term, although by a relatively small margin. In our experience, the extent to which the parking system could function properly would be a factor of the policies

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and operating practices in place to distribute parking demand in a desirable fashion throughout the district (most notably in terms of encouraging employees to park in peripheral locations) and the level of service desired for some patrons of the planned hotels and restaurants.

In the long-term we project deficits in the number of parking spaces that would be available within the parking system at peak, a 51-space deficit during the weekend peak and an 86-space deficit during the weekday peak. These parking deficits will require additional parking spaces in order to be remedied, as well as the introduction of parking management measures that will balance the supply and demand for parking in a localized fashion. The right column of the following two tables shows the results of our analysis.

We note that without effective parking management measures in place, the size of the parking space deficit in both the short- and long-term would be greater. The system-wide number of available spaces can provide the City with some flexibility with regard to parking planning, but the flexibility depends on the level of parking management the City is able to implement.

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Table 5: Short-term Projected Parking Adequacy System-wide

TJKM Parking Study					Future (Short-term)						
Weekday Summertime	1:00 pm Demand	Supply	Available Spaces	Occ %	Projected Changes in Demand	Projected Net Changes in Supply	Projected Future Demand	Future Supply	Effective Supply Factor	Effective Supply	System-wide Parking Space Surplus (Deficit)
On-street	588	976	388	60%			588	976	1.10	887	<b>299</b>
Off-street	653	1064	411	61%	203	-4	856	1060	1.08	981	<b>125</b>
<b>Total</b>	<b>1241</b>	<b>2040</b>	<b>799</b>	<b>61%</b>			<b>1444</b>	<b>2036</b>		<b>1869</b>	<b>425</b>
Study Weekday Summertime	1:00 pm Demand	Supply	Available Spaces	Occ %	Projected Changes in Demand	Projected Net Changes in Supply	Projected Future Demand	Future Supply	Effective Supply Factor	Effective Supply	System-wide Parking Adequacy
On-street	661	976	315	68%			661	976	1.10	887	<b>226</b>
Off-street	699	1064	365	66%	208	-4	907	1060	1.08	981	<b>74</b>
<b>Total</b>	<b>1360</b>	<b>2040</b>	<b>680</b>	<b>67%</b>			<b>1568</b>	<b>2036</b>		<b>1869</b>	<b>301</b>

Source: TJKM (2008), Walker Parking Consultants (2013), and the City of Healdsburg, 2013.

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Table 6: Long-term Projected Parking System-wide Adequacy

TJKM Parking Study					Future Projections (Long-term)						
Weds	1:00 PM	Supply	Adequacy		Projected Changes in Demand	Changes in Supply	Future demand	Future Supply		Effective Supply	System-wide Parking Space Surplus (Deficit)
On-street	588	976	388	60%			588	976	1.10	887	<b>299</b>
Off-street	653	1064	411	61%	414	-4	1067	1060	1.08	981	<b>(86)</b>
Total	1241	2040	799	61%			1655	2040		1869	<b>214</b>
Study Weekday Summertime	1:00 pm Demand	Supply	Available Spaces	Occ %	Projected Changes in Demand	Projected Net Changes in Supply	Projected Future Demand	Future Supply	Effective Supply Factor	Effective Supply	System-wide Parking Adequacy
On-street	661	976	315	68%			661	976	1.1	887	<b>226</b>
Off-street	699	1064	365	66%	333	-4	1032	1060	1.08	981	<b>(51)</b>
Total	1360	2040	680	67%			1693	2040		1869	<b>176</b>

Source: TJKM (2008), Walker Parking Consultants (2013), and the City of Healdsburg, 2013.

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## PROJECTED NUMBER OF PARKING SPACES AND IN LIEU FEES TO BE PAID

In the previous section we projected the extent to which future uses in the downtown area would be able to share parking spaces and, as part of the analysis, the peak parking demand that these new land uses would add to the district. In this section of the report we estimate the new land uses' minimum parking requirement if the DPE were removed. We base our calculations on the City's minimum parking requirements and the same development assumptions used to calculate the efficiencies – and peak parking demand - assuming shared parking. We make this calculation in order to estimate how many parking in lieu fees would be paid if an in lieu fee program were implemented and the extent to which we can reduce the amount of an in lieu fee while maintaining sufficient funding for the construction of a parking garage.

Table 7 shows a projected code requirement of 323 spaces for the hypothetical development scenario assumed in the short term. In order to calculate the number of in lieu fee payments the City would collect, we reduce the total number of required spaces to 242 based on the assumption that approximately 25% of the required spaces will be provided on the site of the development. Table 8 shows a projected code requirement of an additional 263 spaces for assumed mid to long-term development. This is the same number of required spaces calculated in the 2008 Parking Study.

We note that the total 505 required parking spaces (242 short term + 263 mid/long term) does not include 1) the lease up of 12,000± square feet of vacant retail and event space or 2) the predicted loss of 101 existing on-site spaces identified by the TJKM report as being eliminated as the result of the projected mid- to long-term development. We assume that the vacant square footage would be grandfathered into existing parking requirements and therefore not subject to minimum parking requirements upon lease up. We also assume that there would not be a requirement, within the in lieu fee policy, for developers to pay the City for the replacement of existing parking spaces that are eliminated as a result of construction. If the City were to put such a measure we would suggest that the City consider A) the extent to which the existing spaces are being utilized B) the extent to which current demand for the existing spaces may be eliminated due to the construction of new land uses and C) the possibility that total costs to developers for in lieu fees plus replacement costs could become prohibitively expensive for developers.

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Table 7: Projected Near-term Required Parking

Near-term Development Assumptions	Total Auxilliary Uses					Specialty retail/ grocery sf	Projected Total Required Parking	
	Hotel rooms	Hotel restaurant sf	Meeting Room sf	Hotel Spa sf				
Assumed Development	140	1200	4400	1800		1900		
Estimated Required Parking Spaces:	161	17	132	6		7	323	
Minus total spaces assumed to be provided on-sites (estimated 25%):								81
<b>Estimated number of fees paid in lieu of required parking spaces:</b>								<b>242</b>

Source: Walker Parking Consultants and City of Healdsburg, 2013

Table 8: Projected Mid- to Long-term Required Parking Spaces

Assumed Land Use	Hotel	Restaurant	Restaurant projected	Retail	Office	Parking Demand per TJKM (Code Req't)	Existing On-site Parking per TJKM	TJKM Projected Net impact
Walker Projected Code Required Parking Spaces	7		100	76	80	263	101	288

Source: Walker Parking Consultants and City of Healdsburg, 2013

Source: Walker Parking Consultants and City of Healdsburg, 2013



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## SUMMARY OF CODE, PARKING DEMAND AND COST ANALYSES

Combining the data from the earlier code, demand and cost analyses in this report, we develop the following tables for the purpose of comparing four different sizes of parking structures, the number of spaces they provide, their development costs, and the extent to which in lieu fees could cover their costs. We do so for both short-term and long-term development scenarios.

Although locating a new parking structure on the West Plaza Lot may be the wisest decision for the district overall, the table demonstrates that building a parking structure on existing public parking spaces results in a relatively high cost per net new parking space gained in the district.

While we assume that the number of parking in lieu fees collected increase significantly based on the additional development projected in the long term, we keep the four scenarios for the number of parking spaces built the same for the both the short and long terms. We do so because the additional costs of a larger parking structure do not, in our opinion, justify the construction of more parking in the long term to accommodate the relatively small increase in parking demand that is projected in the long term.

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Table 9: Parking Structure Funding Scenarios Using In Lieu Fees from Short-term Development

Short-term Scenarios	Parking Facility Description (Conceptual)	Total Structured Spaces±	Net New Spaces	Project Code Requirement /Number of In Lieu Fees Paid	Projected Peak Parking Demand	Surplus (Deficit) Code Required Spaces	Surplus (Deficit) Parking Demand	Projected Hard + Soft Costs per Space	Projected Total Parking Structure Costs	Projected Hard + Soft Costs per Net New Space	Minimum Recommended In Lieu Fee per Required Space	Projected Total Revenue from Minimum In Lieu Fee Amount	Projected Total Funding Surplus (Deficit) from Min In Lieu Fee Amount	Possible Gap Financing	Measures to Accommodate Parking "Deficit"
1	One Level "Table Top" Structure above the West Plaza Lot	150	150	242	229	(92)	(79)	\$ 29,800	\$ 4,470,000	\$ 29,800	\$23,800	\$5,759,600	\$1,289,600	N/A	Parking Management, Other Public Facilities, Leasing of Private Facilities.
2	Three Levels Above Grade	360	240	242	229	(2)	11	\$ 26,450	\$ 9,522,000	\$ 39,675	\$23,800	\$5,759,600	(\$3,762,400)	Increase amount of in lieu fee payment, general fund, bonding, paid parking	N/A
3	Three Levels Above Grade	405	270	242	229	28	41	\$ 26,450	\$10,712,000	\$ 39,675	\$23,800	\$5,759,600	(\$4,952,400)		N/A
4	Four Levels Above Grade	480	360	242	229	118	131	\$ 26,450	\$12,696,000	\$ 35,267	\$23,800	\$5,759,600	(\$6,936,400)		N/A

Source: Walker Parking Consultants, 2013

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Table 10: Parking Structure Scenarios Using in Lieu Fees from Short-term plus Long-term Development

Long-term Scenarios	Parking Facility Description (Conceptual)	Total Structured Spaces±	Net New Spaces	Projects Code Requirement /Number of In Lieu Fees Paid	Projected Peak Parking Demand	Surplus (Deficit) Code Required Spaces	Surplus (Deficit) Parking Demand	Projected Hard + Soft Costs per Space	Projected Total Parking Structure Costs	Projected Hard + Soft Costs per Net New Space	Recommended in lieu fee per required space	Total Revenue from in lieu fees	Funding Surplus (Deficit)	Possible Gap Financing	Measures to Accommodate Parking "Deficit"
1	One Level "Table Top" Structure above the West Plaza Lot	150	150	505	359	(355)	(209)	\$ 29,800	\$ 4,470,000	\$ 29,800	\$ 23,800	\$ 12,019,000	\$ 7,549,000	N/A	Parking Management, Other Public Facilities, Leasing of Private Facilities.
2	Three Levels Above Grade X 120 Spaces/Level	360	240	505	359	(265)	(119)	\$ 26,450	\$ 9,522,000	\$ 39,675	\$ 23,800	\$ 12,019,000	\$ 2,497,000	N/A	
3	Three Levels Above Grade X 135 Spaces/Level	405	270	505	359	(235)	(89)	\$ 26,450	\$10,712,000	\$ 39,675	\$ 23,800	\$ 12,019,000	\$ 1,307,000	N/A	
4	Four Levels Above Grade X 120 Spaces/Level	480	360	505	359	(145)	1	\$ 26,450	\$12,696,000	\$ 35,267	\$ 23,800	\$ 12,019,000	(\$677,000)	Increase amount of in lieu fee payment, general fund, bonding, paid parking	N/A

Source: Walker Parking Consultants, 2013



## **COSTS ASSOCIATED WITH MANAGING ON- AND OFF-STREET PARKING DOWNTOWN**

In our experience, most cities discover that simply adding an off-street parking facility is not sufficient to solve downtown parking issues. With the addition of an off-street parking facility, stepped-up parking management is usually important if not crucial to making parking spaces significantly available for visitors to the downtown, in effect, getting the parking system to “work.”

Every parking system has more- and less- convenient parking spaces. On-street parking spaces typically represent these most convenient spaces. For this reason, effective on-street parking management measures must be implemented in order to incorporate successfully additional off-street parking spaces into the parking system. If not, on-street parking spaces will remain full and unavailable to customers while the off-street parking spaces that the City and developer have paid millions of dollars to provide remain unacceptably underutilized.

Without proper parking management and enforcement long-term parkers, typically employees, occupy the most convenient (on-street) spaces, leaving visitors and customers to search for parking spaces or give up in frustration. The solution to this issue is either increased enforcement of arguably arbitrary and often ineffective time limits or the implementation of paid parking. If diligently enforced, time limits can negatively impact visitors and the visitor experience. Businesses perceive that paid parking will harm businesses although paid parking has been found to better manage parking spaces than time limits.

City staff has made clear that paid parking is not being considered as part of this study or in its plans for the future. For this reason we suggest that the cost of effective, yet not overly harsh, enforcement of parking time limits must be included in this analysis. Once again we emphasize that the operations and costs of the entire parking system should be managed in a comprehensive manner in order to be effective and efficient.

### **ON-STREET PARKING SURVEY SUMMARY: AN ILLUSTRATION OF THE ISSUE**

On Friday August 23, 2013, Walker sent field staff to observe and quantify parking turnover in Downtown Healdsburg between 11:30 am and 8:30 pm. Out of 114 3-hour time-restricted spaces surveyed on downtown streets around and near the Plaza, during the afternoon peak from 1:30 to 2:30 pm, 33 spaces (29%) were occupied by cars for four hours or more. In other words, when the occupancy rate for these spaces was 98%, effectively full, virtually 30% of on-street spaces for visitors were occupied by long-term parkers and effectively unavailable for short-term, visitor parking. This does not include cars that were being moved by long-term parkers in order to avoid a citation.

This finding is not meant to be a critique of the City's parking enforcement staff; *in our experience these statistics are typical of the challenges faced by downtowns in turning over visitor parking spaces where time limits are the method of enforcement.*

After the counts were completed, our field surveyor noted:



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“... a few (long-term) cars were moved to nearby spots, suggesting a vague fear of enforcement. Approximately five cars were parked for the duration of the turnover survey, from 11:30 am to after 9:00 pm. Spaces were almost always full (93% to 98% occupancy between 11:30 am and 7:30 pm), and many drivers cruised the Plaza Lot in the afternoon, seeking available parking.”

## THE COSTS – AND COST OFFSETS - OF ENFORCING PARKING TIME LIMITS

In many cities, the revenue generated by an efficient parking enforcement operation exceeds the costs of writing and collecting citations, often significantly. However, based on our understanding of Healdsburg's goals, we suggest that the City's operation should be focused on compliance, not citation issuance, in order to maintain a high customer-service and visitor experience. In this method of parking enforcement, the labor and technology costs of enforcement are likely to exceed the revenue generated by parking citations. We recommend that this shortfall be covered by the parking system itself, either through the amount of the in lieu fees or the ongoing operating and maintenance fee assessed to developers.

## THREE MEASURES FOR FAIRER AND MORE EFFECTIVE ENFORCEMENT – AND PROJECTED COSTS

### 1. Improved enforcement efficiency through upgraded enforcement technology

Enforcement of time limits is labor intensive and often not effective in encouraging the turnover of parking spaces for visitors. Yet it is necessary to balance out the demand for on-street and off-street parking spaces. Improvements in license plate recognition (LPR) technology have led to systems that greatly decrease the amount of labor necessary to effectively enforce time limits. These systems can also lead to significant increases in parking revenue. We recommend that the City upgrade its enforcement capabilities using this type of technology. For the purpose of calculating the costs necessary to incorporate a new parking facility into the parking system we make the following assumptions with regard to the acquisition of such a system:

- Increased costs:
  - \$50,000 mobile enforcement system
  - \$12,000 2 handheld enforcement units
  - \$62,000 Total equipment costs
  - \$ 6,200 Maintenance
  - \$68,200 Total enforcement package cost
  - **\$11,400±/year annual cost of system<sup>19</sup>**
- Increased revenue from new technology: We project a doubling of the average annual parking revenue of \$32,000 per year, recorded for fiscal years 2011 – 2013 as a

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<sup>19</sup> Based on a projected 6-year useful life of enforcement equipment



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result of this policy. This would result in an incremental **revenue increase of \$32,000± annually.**

## 2. Graduated fines for parking citations

As discussed, the lack of available on-street parking spaces is usually the result of long-term parking by business owners and employees in the area and, of these, a relatively small number are typically habitual offenders. The occasional forgetful customer, resident, or employee is not “the problem” nor is it necessarily fair to subject such drivers to the same punitive measures as the driver who parks day after day in front of businesses, strategically moving his or her car in order to avoid citations if possible.

For this reason we recommend a graduated schedule of fines for enforcement. Fort Collins, Colorado is a city that has put such a schedule into practice. The following is their schedule for parking enforcement violations:<sup>20</sup>

- First citation = warning or Free
- Second citation = \$10
- Third citation = \$25
- Fourth citation or more = \$50

Although the fines per violation paid by habitual offenders could be significant (and Healdsburg reportedly has one of the highest rates of parking fine collections in the State), the result of this policy is likely a reduction in revenue compared to the existing parking enforcement regimen that has been in place.

Data provided by the City showed average revenue from parking citations over the past three fiscal years averaging approximately \$32,000 per year, which was also the total for fiscal year 2013. Although the results will vary by city, for the purposes of our in lieu fee calculation, we project a reduction in annual enforcement revenue of 30%±, or \$6,600±, of the City’s average annual parking enforcement revenue of \$32,000 per year calculated using fiscal years 2011 – 2013 as a result of the tiered citation pricing system.

## 3. Parking enforcement officers as ambassadors to the public

The perception of on-street parking enforcement is usually quite negative. The manner in which enforcement is presented to the general public is often cited as the reason, because enforcement is often considered as punitive, which in many cases is true. For this reason, and because we are suggesting the need to increase the level of parking enforcement in its Downtown, Healdsburg might consider an “Ambassador Program” model for enforcement. Parking enforcement is typically a source of revenue generation, but at some point presents the City with a tradeoff between maximizing revenue and providing a positive experience for

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<sup>20</sup> Overall rates, particularly for four or more offenses, should likely be higher due to typically higher citation rates in California.

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visitors. Customer service and compliance with parking regulations may be more important than the issuance of citations and collection of fees.

The mission of an Ambassador Program is to empower and train the employees charged with enforcement duties to provide hospitality, tourism and public safety services for local citizens, businesses and visitors in addition to enforcing parking regulations. Under the guidelines of an Ambassador Program, enforcement employees might be required to complete multi-faceted training in hospitality and customer service, even emergency response and first aid, and other City services. Each Ambassador would work directly with the City, local businesses, professional agencies and, for example, the Chamber of Commerce.

The primary goals of an Ambassador Program is to improve people's experience during their visit to Healdsburg, to resolve concerns and help make the City an even more welcoming place to visit, and conduct business. Ambassadors should initiate personal contacts with the parking public, issue more warnings and slightly fewer citations than would typically be warranted, and interact with visitors and citizens in a positive manner. The Ambassadors accomplish these goals at the same time providing parking management by monitoring public safety, extending a helping hand in emergency situations, and calling on area merchants on a regular basis.

Since parking enforcement is a key component of their responsibilities, Ambassadors should be assigned to beats as defined by the needs of a parking enforcement supervisor. The Ambassador Program is envisioned to operate during the same hours as parking enforcement, and on an as needed basis during special events. Given what we have preliminarily observed to be a need for expanded hours of time limit enforcement, the Ambassador Program would operate on weekdays, in the evenings and on weekends as well.

The cost of a parking ambassador program will vary based on numerous factors that are beyond the scope of this study. As noted it will likely also result in decreases in citation revenue. We suggest that it is appropriate for the expenses associated with this kind of program to be covered by parking in lieu fees or parking credits as part of the overall management of the parking system, due to the variables associated with these costs. However, as described, it should be apparent that the establishment of an ambassador program is an ambitious undertaking, particularly in Healdsburg where currently parking enforcement is currently not a full time position. We therefore do not include the costs of Ambassador Program in our calculation of a parking in lieu fee or annual parking credit payment.

For examples sake, we have estimated that the current pay scale for a part-time parking enforcement officer in the City is approximately \$35,000 per year; the cost of two full-time PEO's is estimated at \$70,000. The additional cost of electronic ticket writers was discussed above (we assume \$6,000 per handheld unit), but we do not include uniforms, benefits, or other miscellaneous expenses in our cost estimate. We estimate labor costs for supervision of

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\$90,000 per year. Thus, an appropriate enforcement budget within the "Ambassador" model is projected at roughly \$160,000± annually.<sup>21</sup> If we divide these costs by the number of parking

spaces in a 400-space parking garage, we calculate an additional \$400 per space per year in annual fees for developers.

## CONCLUSION: PARKING ENFORCEMENT COSTS

In the following table we project the annual cost per proposed structured space of the system-wide parking enforcement and management measures recommended in this section, assuming a 360-space parking structure.

Table 11: Projected Costs of Parking Enforcement and Management Improvement

Enforcement Improvement	Annual expense (expense offset)	Annual Costs (Parking Credit)/per structured space	Projected number of structured spaces
Enforcement technology upgrade costs	\$ 11,400	\$ 32	360
Enforcement technology upgrade increased revenue	\$ (32,000)	\$ (89)	
Graduated fines for citations	\$ 6,600	\$ 18	
<b>Subtotal</b>	<b>\$ (14,000)</b>	<b>\$ (39)</b>	
Sample Ambassador Program (Labor Costs only)	\$ 160,000	\$ 444	
<b>Total:</b>	<b>\$ 146,000</b>	<b>\$ 406</b>	

Source: Walker Parking Consultants, 2013

<sup>21</sup> We note that salary figures for PEOs may not include the full cost of benefits depending on whether positions are classified as part- or full-time.



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## RECOMMENDED IN LIEU AND PARKING CREDIT FEES

Based on our findings, we recommend that the City charge developers two separate fees per required parking space in order to reflect both the capital costs required for a new parking facility, the cost per net new space gained, and on-going costs, not only to maintain a new facility but to properly operate the entire downtown parking system as well:

1. A lump-sum fee per required parking space for the purpose of covering the capital and soft costs of a proposed, 360-space, parking structure built on the West Plaza Lot;
2. An on-going, annual, parking "credit" fee in order to cover short- and long-term maintenance costs as well as operating and enforcement costs for the entire downtown parking system.

Based on this approach, we recommend that the City charge developers a one-time in lieu fee of as close to the projected cost per net new space of \$39,500 as possible, in order to cover both the hard and soft costs of construction. The recommended amount of the in lieu fee could be reduced significantly and cover the cost per structured (rather than net new) space; we project from \$23,800 to \$26,450. However in doing so the City would need to receive more payments in lieu of required parking spaces, spreading out the costs among more development and more demand for parking as well as increase the length of time necessary to fund and build a parking structure.

In addition, we recommend that the City charge developers an on-going, annual fee of \$200 per required space for operating and maintenance costs of the entire downtown parking system.

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Table 12: Summary of Projected Fees and Recommendations

	Projected Parking Costs to be Covered by Development Fees: Parking Structure on the West Plaza Lot	Lump Sum	Annual Fee
		In lieu Fee	Parking credit
	Capital costs per structured space	\$ 23,000	
	Soft costs per space @ 15% of hard costs	\$ 3,450	
	Total costs per structured parking space	\$ 26,450	
	Total capital cost of 360-space parking structure	\$ 9,522,000	
	Projected number of net-new spaces (360 - 120=240 spaces)	240	
	In lieu fee payment based on cost per net new space	\$ 39,675	
Recommended Range of In Lieu Fees	<b>Recommended In lieu fee payment based on 242 short-term fees paid in lieu of requirements</b>	<b>\$ 39,500</b>	<sup>A</sup>
	Cost per Space: "Table Top" Structure (150 Net New Spaces)	\$ 29,800	<sup>B</sup>
	<b>Minimum In Lieu Fee Payment "Floor" Based on Cost/Space and shared parking reduction</b>	<b>\$ 23,800</b>	<sup>C</sup>
	In lieu fee payment based on 505 long-term fees paid in lieu of requirements	\$ 18,855	<sup>D</sup>
	<b>Recommended annual maintenance and operations contribution per space:</b>		\$ 236
	<b>Projected fees and offsets for enforcement, including offsets, not including ambassador-style parking enforcement</b>		\$ (39)
	<b>Recommended total</b>	<b>\$ 39,500</b>	<b>\$ 200</b>

<sup>A</sup> We estimate this fee would allow the City to construct the number of net new spaces, required to meet the code planned requirement, parking demand, and timing of the new development.

<sup>B</sup> We project this fee would be sufficient to allow the City to construct one parking level above the West Plaza Lot, without a loss of existing spaces.

<sup>C</sup> This fee is based on the actual construction cost per space, rather than the cost per net new space. and would require gap financing on the part of the City.

<sup>D</sup> Based on requirements for short- and long term development this lower fee could fund a structure. However, there would likely be a years-long delay in collecting all the funding for the structure.

Source: Walker Parking Consultants, 2013

Source: Walker Parking Consultants, 2013



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## CONCLUSION

Walker Parking Consultants recommends that the City allow developers to pay a fee in lieu of providing required parking spaces in the DPE Area in Downtown Healdsburg. We recommend that the City establish a parking enterprise fund into which these fees would be deposited for the specific purpose of improving the parking and transportation system in Downtown Healdsburg.

Building structured parking on the West Plaza Lot is a particularly expensive, but potentially necessary, measure by which to increase the parking supply in Downtown Healdsburg. Building parking in this location is expensive because 1) structured parking is expensive to provide and 2) when structured parking is built on existing parking spaces, the cost per net new space can be significantly higher than a structured parking space built where no parking currently exists.

However using the projected cost to build and maintain a structured parking space is a rational methodology for setting the City's in lieu fee. The number of parking spaces located on the street and in surface lots in the downtown is finite. The cost of structured parking spaces should be used as a benchmark for creating new parking supply in the district.

We project that an in lieu fee of \$39,500 per required parking space would fund a 360± space parking structure, resulting in a net gain of 240 structured parking spaces. We project that a lower in lieu fee of \$29,800 would fund a smaller, one level, "table top" parking structure resulting in approximately 150 new parking spaces (likely eliminating few if any spaces at grade, at least in the long term). Charging fees less than these amounts would result in the City having to:

- Add fewer net new spaces than code requires or the parking demand model projects;
- Provide gap financing to cover the full cost of the structure;
- Delay the construction of a new parking structure until sufficient funding from additional in lieu fees could be collected.

For example, the recommended amount of the in lieu fee could be reduced significantly and cover the cost per structured (rather than net new) space; we project that such a fee would range from \$23,800 to \$26,450. However in doing so the City would need to receive a greater number of payments in lieu of required parking spaces, spreading out the costs among more development and more demand for parking, as well as increasing the length of time necessary to fund and build a parking structure.

We also recommend that an additional \$200 should be charged to developers annually for short- and long-term maintenance of the planned structure as well as management and enforcement of the parking system, specifically the on-street parking spaces, which we argue are the most heavily used and most important in the parking system. These fees should also be deposited into the parking enterprise fund and potentially into a sinking fund for maintenance or an operations fund for enforcement.

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The development of many the assumptions necessary to determine the in lieu fee and parking credit amounts, such as future parking demand for the district as a whole, the extent to which parking spaces can be shared, and the number of spaces that should be built were not included in the scope of services for this engagement. However, Walker developed these projections as components of the process to develop the recommended fees.

Although Walker has determined fee amounts that it deems to be reasonable, the projections contained in this determination are based on variables that will ultimately be determined by political decisions within the City and economic decisions within the market.

We suggest, however, that once a reasonable in lieu fee amount has been determined, equally valuable is the *process* by which parking in Downtown Healdsburg will be managed and funded. We suggest that the district has progressed to the point the determination of the number of existing parking spaces will not address the commercial center's parking needs. The operation and funding of parking in the district now must be actively monitored and managed to meet the needs of current and existing development.

The most efficient and effective way to implement an in lieu parking fee policy is to make the in lieu fee policy one component of a broader parking master and financing plan for the downtown district. Downtown Healdsburg needs such a plan. In seeking to determine the appropriate amount of an in lieu fee first we have made assumptions regarding how the City should manage and fund its downtown parking system. These assumptions should be vetted by the City.

More specifically we make the following recommendations to the City:

- Plan in lieu fee revenue adequate to supply an additional 100 to 242± parking spaces in the Downtown district, based on conservatively high development scenarios for combined short- and long-term development.
- The City should keep in mind that the net new spaces goal should be a function of both realistic funding capability and projected future need. The 240± space goal could satisfy all short- and most long-term term projected need based on our assumptions, while allowing for future horizontal expansion to address potentially greater long-term needs if necessary.<sup>22</sup>

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<sup>22</sup> The projections for the need for new parking spaces are a "target" net gain in supply to help address short-term and long-term parking needs and support sustained economic development activity in the market. If 360 spaces are built (see Table 9, Scenario 2), with 120 spaces displaced in the West Plaza Lot, we see a net gain of 240± spaces. The short-term projected code requirement for new construction is 242 spaces. Using the Walker/ULI Shared Parking Model, we project a demand in the short term for an additional 229 spaces from new development, during the peak hour for the new development.

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- Unless the City can readily make the funds available through in lieu fees or other practical measures, we advise a conservative approach to adding costly parking supply to the City's operating budget.
- Echoing the 2008 TJKM Parking Study, we recommend that the City update parking occupancy counts district-wide on a regular basis in order to 1) confirm the number of parking spaces that are needed and 2) identify specific parking and transportation-related issues.
- The financing and construction of additional parking spaces should be part of a larger parking policy and master plan for the Downtown Healdsburg District. As part of this plan we recommend the establishment of a Parking and Transportation Enterprise Fund in which all parking revenue is deposited and which covers all hard, soft, maintenance and operations costs of parking in Downtown Healdsburg.
- We recommend the elimination of the Downtown Parking Exemption District contingent upon the creation of an in lieu fee parking program and related establishment of an enterprise fund from which to fund parking- and transportation-related improvements.
- Set an in lieu fee within a range of \$23,800 to \$39,500 per parking space. The low end of the range represents a projection of construction plus soft costs for structured space, with a downward adjustment for shared parking among multiple land uses. The high end of the range represents the projected cost per *net new* parking space for a structure on the West Plaza Parking Lot that will yield more than 200 net new parking spaces.
- Set the in lieu fee as close to the \$39,500 per figure as possible without making the fee prohibitively costly for developers. The purpose is to cover as fully as possible the cost per net new space of structured parking on the West Plaza Lot. We point out that an in lieu fee of \$39,500 is within the "high" range of parking in lieu fees in the State but that a few cities we surveyed charge in lieu fees that are significantly higher.
- To the extent that the City sets its in lieu fee below \$39,500 per space, the City should expect to make up the difference in gap financing measures, which may include:
  - Funding the difference between the in lieu fees generated by the new development, likely using the general fund, bonding from future in lieu fee revenue, or revenue from paid parking.<sup>23</sup>

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<sup>23</sup> The primary purpose of paid parking should be improved parking availability and efficiency of the parking system. The establishment of paid parking in some locations in Downtown Healdsburg could improve the efficiency of the parking operation significantly. However, revenue is a byproduct of a paid parking policy and it is recommended - and common - for revenue from on-street parking spaces to fund the construction and/or management of off-street parking spaces; on-street parking spaces are relatively inexpensive to provide but generate significant amounts of revenue. The reverse is often true for structured parking spaces.

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- Increasing the amount of the in lieu fee so as to cover the actual cost per net new structured space provided by a parking structure without hindering Downtown development;
  - Delaying construction of proposed parking spaces until such time as in lieu fees collected are sufficient to fund the proposed parking structure, while using parking management policies in order to maximize the efficiency and use of existing parking spaces; or
  - Improving parking management measures so as to improve utilization of existing parking spaces and minimize the construction of additional parking spaces.
- The purpose of the in lieu fee is to cover the capital and soft costs necessary to bring new parking on line to serve the public. In addition, we recommend that developers pay an annual parking credit fee of \$200 per required space in order to cover ongoing maintenance and operations cost.

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## **WHAT IS AN ENTERPRISE FUND?**

An enterprise fund establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Under enterprise accounting, the revenues in expenditures of services are separated into a separate fund with its own financial statements, rather than commingled with the revenues and expenses of all other government activities.

Enterprise funds may be established, "for a utility, health care, recreational transportation facility." Examples of which include the following:

- Transportation - airports, harbors, and parking systems
- Public utilities - water, sewer, trash disposal
- Health-care - ambulance service, nursing homes
- Recreation - skating rinks, pools, golf courses

The community may not establish enterprise funds for normal government operations or services such as building rentals, inspection services or cemeteries.

Establishing an enterprise fund does not create a separate or autonomous entity from the municipal government operation. The municipal department operating the enterprise service continues to fulfill financial and managerial reporting requirements like every other department.

Financial transactions are reported using standards similar to private sector accounting. Revenues are recognized when earned and expenses are recognized when incurred, under a full actual basis of accounting. An enterprise fund provides management and taxpayers with information to:

- Measure performance
- Analyzed the impact of financial decisions
- Determine the cost of providing a service
- Identify any subsidy from the general fund in providing a service

Enterprise accounting allows the community to demonstrate to the public the portions of total costs of a service that is recovered through user charges and, if any, the portion that is subsidized by tax levy or other available funds. A community may choose to recover total services costs through user charges, but is not required to. Enterprise funds frequently are used to account for services whose costs are partially funded by fees and charges.

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At year-end, the performance of an enterprise fund is measured in terms of positive and negative operations. An operating surplus is a result of revenues collected in excess of estimates and appropriation turn backs, and translates into retained earnings that are maintained in the fund rather than closing to the general fund. Retained earnings of an enterprise fund are certified as available funds after submission of the end of the year balance sheet to state government. Once certified, retained earnings may be appropriate only for expenditures relating to the fund. Conversely, if during the year, the enterprise fund incurs an operating loss, the loss must be raised in the subsequent year's budget.

### Adopting an Enterprise Fund

Generally, a city may adopt an enterprise fund with approval by a city council vote. Each enterprise fund must be adopted separately with its own vote. This allows municipal legislative bodies to identify and evaluate each enterprise on its own merit.

Walker recommends that the community accept the enterprise statute in advance of the budget process and clearly state what services will be provided and when the fund will commence. Unless otherwise designated, the enterprise fund will commence as of the next fiscal year after it has received council approval. Once adopted, the community may begin the process of transferring the estimated revenues and operating budget of the services and identifying the assets (capital items in infrastructure) and liabilities in the general fund to be transferred to the enterprise fund.

Once an enterprise fund is enacted, a budget is subject to the appropriation process. A request is prepared like any other departments request for review any eventual adoption. Any transfers among the enterprise fund's line-item appropriations also require action by Council. The enterprise budget includes both revenue and expenditure estimates.

### Revenues

Similar to any operating department, revenue estimates are prepared. These may include user charges and fees, investment income, and any other enterprise revenues.

All enterprise revenues may only be used to support the expenditures of the enterprise fund. At no time may these funds be used to support ongoing municipal operations or subsidize the general fund.

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## **Costs**

All costs of operating the enterprise must be identified. This should include direct costs, indirect costs, employee benefits, legal and borrowing cost, and capital expenditures. These costs may also include an appropriation for emergency reserve and a budget surplus.

- **Direct costs** are those associative directly with the enterprise fund. Generally these include salaries and wages of the enterprise employees, other operating expenses and contractual payments. These expenditures will be appropriated in and incurred directly by the enterprise fund.
- **Indirect costs** are those costs that cannot be directly or exclusively assigned to one service. Enterprises often benefit from expenditures made by the general fund. For example, the collector, whose salaries paid by the general fund, make process enterprise user billed payments. We recommend that these indirect costs be identified and allocated to the enterprise fund using clearly established formulas to prorate the expense among departments.
- Because indirect costs are appropriated in the general fund, and operating transfer is made by the auditor/accountants to reimburse the general fund from the enterprise fund. Ideally, these operating transfers are made monthly to ensure that the enterprises transferring revenues to provide for the general fund expenditures as they are made. All operating transfers from the enterprise fund are credited to the general fund's cash account; at no time is an operating transfer made to replenish an operating department appropriation.
- **Employee benefits** include health and life insurance, FICA and medical expenses, workers compensation, unemployment insurance, and pension and retirement costs. These expenditures are generally budgeted in the general fund (or insurance trust funds) for all employees, including those of the enterprise fund. Therefore, the enterprise portion of these expenses, like the indirect costs, must be allocated to the enterprise fund.
- **Legal and borrowing costs** may be appropriated or budgeted for directly in the enterprise on area. These include debt service costs (principal, interest and temporary borrowing costs), bond counsel expenditures relating to an enterprise debt issuance and/or financial service costs relating to a bond and the bonded prospectus. Alternatively, these expenditures are currently provided for in the treasurer's or debt service budgets and must be allocated to the enterprise fund appropriately.
- **Capital expenditures or improvements** are items generally found in a capital budget such as construction or major repairs, equipment or acquisitions. While these items may be reviewed and recommended generally by the capital planning committee, it is advisable that the capital expenditures for the enterprise are voted separately from the general fund's capital expenditures.

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- **Emergency reserve**, like the general fund reserve fund, there is an appropriation available to meet unanticipated spending needs that may arise during the course of the year and require immediate action. Following the same guidelines set forth in the general fund, the reserve may be transferred by the city council/finance committee action rather than having to wait for the next scheduled legislative meeting. There should be no direct charge for the emergency reserve rather the auditor/accountant should transfer the amounts to the line item as stated in the approved transfer. At the close of the fiscal year, any remaining balance in this emergency reserve would close to the enterprise fund balance.
- **Budgeted surplus** is an appropriation within the enterprise budget established as an available revenue source during the budget year. Generally, a budgeted surplus is established when the prior year's enterprise operation resulted in little or no retained earnings. Without sufficient surplus available for appropriation, the community may have to use its general fund revenues to fund/subsidize the enterprise if additional enterprise expenses are incurred that exceed its available resources. Alternatively, the community may increase its user fees and charges and appropriate the new estimated revenues to a budget surplus available for use if need arises.
- **The budget surplus may be used to fund additional spending** after the community's tax rate is set and is subject to the appropriation process by the municipal legislative body. It should be further noted that because there is no legal authorization for the continuing balance or the establishment of a stabilization fund in an enterprise fund, any remaining balance in this budgeted surplus would close to the fund balance of the enterprise fund at the close of fiscal year.
- Another cost of the enterprise not included in the operating budget is depreciation of the fixed assets and infrastructure. While it is not a budgetary item, depreciation should be considered by the community when preparing a cost analysis to determine charges and fees. Depreciation is calculated in order to recognize the annual expense associated with the use of an asset is a given reporting period. In general, depreciation is calculated by dividing the purchase price of the asset by its useful life. If the asset has outstanding debt and a debt services is already budgeted, depreciation is not included in the costing analysis because it would result in a double counting of expenses.

### **What are the Advantages of Enterprise Fund Accounting?**

A community may account for a certain services in the general fund, special revenue fund or an enterprise fund. The advantages of using an enterprise fund rather than the other two methods are as follows.

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- Demonstrate total cost of service - With all the direct, indirect (e.g., interdepartmental support, health and insurance costs) and capital cost of providing the service in a consolidated fund, the community will be able to readily identify the true cost of providing a service, in this case, for water supply, storage and distribution.
- Provide useful management information - With the consolidation of revenues and the cost of services and information on the operating performance (positive or negative) of the fund, the community will have useful information to make decisions on user charges and other budgetary items. The community will be able to analyze how much the user fees and charges support the services and to what extent if any tax levy or other available revenues are needed to subsidize the enterprise fund. The community will also be able to include the fixed assets and infrastructure of the enterprise as assets in the financial statement and recognized the annual depreciation of these assets.
- Retain investment income and surplus - Unlike services operating in the general fund or a special revenue fund, all investment earnings and any other operating surplus is retained in the enterprise fund rather than returned to the general fund at year-end. Once a surplus is certified as available (similar to free cash), it may be used to fund operating, capital or debt service costs associated with the enterprise.
- Provide better ability to implement capital improvements - The enterprise fund will allow the Department providing the service to better plan for and implement capital improvements, because these needs can be forecasted and integrated into the long-term financial management of the Department.

### **Why would a community choose to adopt an enterprise fund?**

- To determine the total cost of providing a service.
- To demonstrate to the public which portion of the total cost of a service is covered through user charges vs. tax levy.
- To allow the surplus or retained earnings generated by the operation of the enterprise to remain with that fund rather than close out at year end to the general fund and become part of "free cash". The surplus may be used to help fund future capital expenditures such as water replacement costs or to reduce rates.
- It also prevent town Officials from taking a predatory action against water department revenues.

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**Does an enterprise fund have to fully recover its costs through user fees or be self-sufficient?**

No. An enterprise fund may be self-supporting or it may be subsidized (e.g., debt and capital exclusions) by the general fund. The extent to which it is subsidized is a policy decision that should be clearly identified when the Council is requested to adopt the enterprise fund budget. Most

**For what purpose can the community use budget surplus and/or retained earnings?**

The community can choose to appropriate to budget surplus and retained earnings:

- Operating costs to offset the need to increase user charges
- Capital improvements
- Reimbursement to the general fund to the extent the general fund has funded that particular service in prior years (which requires detailed documentation)
- Enterprise revenue deficits (operating loss)

**Can an enterprise fund operate independently under its own procedures?**

An enterprise fund is just an accounting/budgeting tool. It does not grant additional powers to the department providing service. The enterprise fund is still a municipal department and is subject to ordinary municipal finance procedures. The rate setting process is established by statute or local charter. Property and assets included in the enterprise fund is owned by the municipality and may only be acquired, leased or disposed of by vote of the Council. At no time are these conditions altered through the adoption of enterprise.

**Should services provided by other departments be billed directly to the enterprise fund? Are other indirect costs like health insurance charged directly to the enterprise fund?**

No. Any services provided by other departments and indirect expenses/charges should be reimbursed to the general fund through inter-fund transfers from the enterprise fund. Ideally, these transfers should be done monthly so the enterprise fund expenses are tracked and its financial position is accurately reflected.

**What happens if there is a disagreement on indirect costs (e.g., which expenses and how much) of an enterprise fund?**

Indirect and allocated costs should be clearly set forth (e.g., what costs will be shared and how much) when the budget is adopted to avoid disputes later in the fiscal year. If, however,

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the enterprise still cannot agree with the community's financial officials what figure should be used for indirect and allocated costs the appropriate body to resolve the matter is Council.

**How does the community provide for an enterprise operating loss?**

Any operating loss will be provided for in the subsequent year's enterprise fund budget. This may be refunded by the enterprise revenues or available funds, or possibly a general fund subsidy.

**How can an Enterprise Fund provide for extraordinary or other unforeseen expenditures?**

- The community may establish an emergency reserve for extraordinary or unforeseen expenditures similar to the general fund reserve fund.
- The community may establish the enterprise budgeted surplus which is subject to the appropriation process with the approval of Council.
- Council may appropriate from this emergency reserve fund and/or retained earnings.
- The department may request a transfer from the general fund reserve fund. The enterprise fund may later appropriate to reimburse the general fund for such transfer. The community may request authorization to spend in excess of authorization under an emergency that poses an immediate threat to the health or public safety of persons or property.

**Can Council vote to use enterprise funds for purposes not related to the enterprise?**

No. The enterprise enabling statute provides that the enterprise remedies may only be used for enterprise-related expenses. Even if there is an understanding funds will be reimbursed to the enterprise, a community cannot use the enterprise fund as funding source for appropriations to pay for unrelated municipal expenses or for inter-fund borrowing for cash flow purposes.

**What happens if the community decides it no longer wants to have enterprise fund?**

After at least three years, the legislative body of the community (Council) can vote to terminate the enterprise fund. Once it ceases operation and all of the current liabilities are accounted for, the community would close any fund balance to the general fund and transfer any assets, debt and long-term liabilities to the general fund.



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**APPENDIX B- REVIEW OF IN LIEU FEE POLICIES IN OTHER CALIFORNIA CITIES**

For this section of the report we examined the parking in lieu fee programs of seven California municipalities. Taking a thematic approach, this section is meant to provide an overview of how the in lieu fee programs of these cities address interrelated components –the defining of a program’s geographic territory, the articulation of policy, determining eligibility for developers and merchants to participate in the program, and the cost of the fee.

We then briefly turn to a discussion of some of the challenges the seven municipalities have faced during the implementation of their respective programs.

For this overview, Walker performed preliminary research on thirteen (13) municipalities in California that have parking in lieu fee programs. Of that number seven (7) were selected as suitable comparables to the City of Healdsburg. Table 13, below, lists the seven municipalities used in this report.



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Table 13: Comparable Municipalities with Parking In-Lieu Fee Programs

Municipality	Cost	Comment
Beverly Hills, CA	Tiered fees by location (\$28,284 / \$37,605 / \$47,007). Restaurant expansion fee is \$11.675.	
Beverly Hills, CA <sup>1</sup>	50% of the 10-year amortization rate.	Applies to existing construction and tenants occupying more than 16 ksf.
Carmel, CA <sup>2</sup>	Per space fee is 150% of market rate for San Francisco public garage parking spaces with Type I or Type II fire resistance	Fees go into a specific fund so that the city may acquire or develop off-street parking.
Claremont, CA	\$ 9,000 per space	Parking credit allows between two (2) and ten (10) spaces for existing structures constructed before 01/01/75. Eligibility determined on case-by-case basis by either of two parties.
Morgan Hill, CA	\$ 4,000 per space	Plan is to maximize utilization of existing parking before adding more.
Mountain View, CA	\$ 26,000 per space	Focus is on providing adequate parking without sacrificing opportunities for additional development.
Palo Alto, CA	\$ 17,500 per 250 sf	Use of fees restricted to construction of parking spaces that serve developments paying the fee.
Pasadena, CA	\$ 151 per space per year.	Allows public spaces to count towards a land use's parking requirement

<sup>1</sup> This is a new program rolled out in August 2013. It leases existing spaces to qualifying businesses.

<sup>2</sup> Current market rate for constructing a public garage parking space in San Francisco is ±\$22,000.

Source: Walker Parking Consultants, 2013

It is worth noting that of primary importance to a successful parking in-lieu fee program is establishing the geographic boundaries for participating establishments. The seven comparable municipalities each tie their parking in-lieu programs to specific areas. For example, Beverly Hills and Carmel situate their programs in their respective Business Districts. Claremont and Palo Alto have their programs in the parking districts of specific sections of those cities. For its part, the City of Pasadena's in-lieu fee program is centered on its Old Town district. Meanwhile, Morgan Hill and Mountain View use the category of "downtown" to define the limits of their in-lieu programs.



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## APPROACHES TO POLICY

An examination shows municipalities seek an approach to parking in-lieu fee programs that strikes a balance among intertwined considerations. The seven comparable municipalities take one of three approaches when addressing these considerations.

One approach allows for a municipality to maintain maximum flexibility when implementing its parking in-lieu program. Municipalities that take this approach are Beverly Hills, Carmel, and Pasadena. In Beverly Hills, the Planning Commission reserves for itself a very high level of discretion in determining who may participate in the in-Lieu Parking program. Beverly Hills also has a tiered-fee structure based upon a development's location. The fees, ranging from \$28,284 to \$47,007 are [at/above] the market rate for the construction costs of parking spaces.

Similarly, the City of Carmel ties its fee to 150% of the market rate for the construction of public parking spaces in garages located in San Francisco (the current market rate is \$22,000±.) And, like Beverly Hills, guidance on how the program works is confined to brief passages in the City of Carmel's Municipal Code.

For its part, the City of Pasadena also reserves for itself a significant level of discretion in determining which land uses can or cannot participate in its parking in-lieu fee program. However, Pasadena differs from Beverly Hills and Carmel in that its administration of the program is based upon regular study of the area in which the program operates. Further, Pasadena's program is based on the selling of permits to commercial establishments to use public garages that have already been built. These ongoing fees are in many ways similar to the ongoing annual parking credit fees that we have recommended for the City of Healdsburg.

A second approach is to use an in-lieu parking program specifically to advance the objectives of municipal planning documents. We suggest that practitioners of this approach are Claremont, Morgan Hill, and Mountain View. While these cities have different visions of future development, each has readily accessible planning documents which clearly define developmental priorities. The concise articulation of priorities allows for a basic understanding of how fees are structured, and why. Thus, while the per space fee ranges from \$4,000 per space for Morgan Hill to \$26,000 per space for Mountain View, and while Claremont's fee of \$9,000 per space is payable only after an applicant goes through a two-tiered approval process, developers can understand that their participation in the program fits into a mutually beneficial partnership that balances economic development with a vision of the built environment.

A third approach, practiced by Palo Alto, is to tie the parking in-lieu fee program to an Environmental Impact Report, reflecting the City's commitment to environmental sustainability. This brief discussion of how municipalities approach in lieu fee programs shows the diversity in the approach to – and the amount of – in lieu fee policies. Based on the cities we researched, a program can be framed to encourage economic development, to fulfill a planning vision for the built environment, or to pursue the increasingly important objective of environmental sustainability, or a combination of the three.



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In this light, a parking in-lieu fee program is much more than a mechanism for addressing the projected parking demand of a proposed development. A well-crafted parking in-lieu fee program offers a municipality an opportunity to use parking as a means to strive towards broader economic, aesthetic, and political objectives.

## POTENTIAL CHALLENGES

While the previous section focused on the opportunities available through a parking in-lieu fee program, this concluding section outlines some of the challenges that the seven comparable municipalities may have faced.

The most immediate challenge, experienced by Beverly Hills and Morgan Hill, has been economic. Based on our observations, this past summer, Beverly Hills has sought to revise its in lieu fee program to be more accommodating to existing and proposed businesses in the area particularly restaurants.

Morgan Hill's in lieu fee program has not been used since its inception in 1986. In our experience, this is not necessarily uncommon for cities with in lieu fees on their books. We understand that Morgan Hill is considering revisions to its program that could increase fees several fold.

A second challenge faced by some of the comparable municipalities centers around the interpretation of parking in-lieu fee programs. The City of Claremont is currently in litigation with an establishment that is participating in its program. The litigation centers around the use of revenue generated by the in-lieu program to build a parking structure outside of the program's established boundaries.

A third challenge centers around the politics of parking. In Palo Alto, the in-lieu fee program has become a point of debate in a wider discussion of that city's parking system. It is our understanding that the City of Palo Alto is apparently considering ending the in-lieu fee program.

A fourth challenge centers around the impact of increased demand upon a parking system and the limits of any policy or program to mitigate that demand. Notwithstanding the impact of the Great Recession, the Old Town area of Pasadena remains a focal point for shopping, dining, and socializing in the Los Angeles area. To address this growing demand, the City of Pasadena is continuing its practice of developing options to get more revenue from its program by expanding the program's zone and by expanding its ability to "oversell" spaces, a common and efficient practice in parking management.