

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117933

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AN ORDINANCE relating to the Pacific Place Garage; authorizing the loan of funds from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the Downtown Parking Garage Fund; superseding Ordinance 124123; and providing for repayment.

WHEREAS, the City of Seattle acquired the Pacific Place Garage through agreements authorized by Ordinance 118011 for the purpose of encouraging short-term parking in, and contributing to the revitalization of, the downtown retail core; and

WHEREAS, revenues from the operation of the Pacific Place Garage pay only costs of the Garage, including the cost of debt service on the financing of the Garage; and

WHEREAS, all revenues and costs related to the Pacific Place Garage are recorded in the Downtown Parking Garage Fund; and

WHEREAS, net proceeds from the operation of the Garage have been historically sufficient to pay all costs of its operations, support a positive cash balance in the Downtown Parking Garage Fund, and maintain the Garage's parking rates below prevailing market levels in accordance with the objective of revitalizing the downtown retail core; and

WHEREAS, due to recent economic conditions and other factors, Garage revenues are not sufficient to meet all operating cost obligations of the Pacific Place Garage and maintain a consistently positive cash balance in the Downtown Parking Garage Fund; and

WHEREAS, in the normal course of business the City may temporarily lend cash between funds to maintain required balances; and

WHEREAS, the City Council passed Ordinance 124123, authorizing a short-term loan of not more than \$5 million to the Downtown Parking Garage Fund from the City's Consolidated (Residual) Cash Pool, on February 25, 2013; and

WHEREAS, the City now desires to extend the loan through December 31, 2015 and increase the loan amount to \$9,500,000; and

WHEREAS, the City's Finance Director is authorized to extend short-term cash pool loans for up to 90 days past their expiration date, at which time legislation must be passed by the City Council in order to extend the loan for an additional period of time; NOW,
THEREFORE,



1 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

2 **Section 1.** A loan of not more than \$9,500,000 of principal and interest outstanding at
3 any one time is hereby authorized to be made from the City's Consolidated (Residual) Cash Pool,
4 or its participating funds, to the Downtown Parking Garage Fund (46010). The loan expires
5 December 31, 2015, with interest on the loan at the rate of return of the City's Consolidated
6 (Residual) Cash Pool. This ordinance supersedes Ordinance 124123 and represents an extension
7 and an increase in the amount of the loan authorized therein.
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9 **Section 2.** The entire principal and interest amount of the loan authorized by Section 1
10 owed by Downtown Parking Garage Fund to the City's Consolidated (Residual) Cash Pool, or its
11 participating funds, shall be repaid with the revenues from operating the Pacific Place Garage or
12 the General Fund.
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14 **Section 3.** The Director of Finance may effectuate the loan authorized in Section 1 by
15 transferring cash from one or more of the funds participating in the City's Consolidated
16 (Residual) Cash Pool to the Downtown Parking Garage Fund, or by carrying the Downtown
17 Parking Garage Fund in a negative cash position in an amount not to exceed \$9,500,000 through
18 December 31, 2015.
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20 **Section 4.** This ordinance shall take effect and be in force 30 days after its approval by
21 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
22 shall take effect as provided by Seattle Municipal Code Section 1.04.020.
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1 Passed by the City Council the ____ day of _____, 2013, and
2 signed by me in open session in authentication of its passage this
3 ____ day of _____, 2013.

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5 _____
6 President _____ of the City Council

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8 Approved by me this ____ day of _____, 2013.

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10 _____
11 Michael McGinn, Mayor

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13 Filed by me this ____ day of _____, 2013.

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15 _____
16 Monica Martinez Simmons, City Clerk

17 (Seal)

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2014 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Finance and Administrative Services (FAS)	Mark Ellerbrook/3-0026	Jennifer Devore/5-1328

Legislation Title:

AN ORDINANCE relating to the Pacific Place Garage; authorizing the loan of funds from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the Downtown Parking Garage Fund; superseding Ordinance 124123; and providing for repayment.

Summary of the Legislation:

Recent economic conditions prevent Pacific Place Garage revenues from completely covering garage expenses. This loan increases and extends the loan authorized by Ordinance 124123 passed by City Council on February 25, 2013. The Seattle Municipal Code authorizes the City's Finance Director to extend cash pool loans for up to 90 days after their expiration date, at which time the City Council must pass legislation to extend the loan for additional periods of time. By authorizing a loan of up to \$9,500,000 to the Downtown Parking Garage Fund through December 31, 2015, this legislation will provide bridge financing to operate the Pacific Place Garage while a long-term solution is identified.

Background:

Historically, the Pacific Place Garage generated sufficient revenue to pay all of its expenses, including operating costs, equipment purchases, taxes, and debt service. However, due, in part, to poor economic conditions and reduced downtown retail sales activity, the Pacific Place Garage is currently running a cash deficit.

In 1996, the City launched a plan to revitalize the downtown core by renovating the vacant Fredrick and Nelson building along with other adjacent buildings, and build an associated new premium retail complex. The City's contribution to private development efforts was the purchase of the 1200-stall Pacific Place Garage. Because the purpose of the Garage was to spark and sustain retail activity in the downtown core, the contracts through which the City acquired the facility prescribe many aspects of the Garage's operations and rates, including:

- **Low Rates** – Rates are intended to be low to encourage the public to come to downtown Seattle. Rates are capped at local market conditions, and float to recover only the costs of the Garage. With the exception of recent price fluctuations (see below), rates have been consistently below market conditions over the life of the Garage.
- **Discourage Long-Term Parking** – The purpose of the Garage is to support the shorter trips of people shopping, dining, and attending movie and theatre performances. Under the Land Use Code, only a total of 171 stalls may be used for long-term parking. More long-term parking in the Garage is prohibited.



- Provide a Premium Experience – The Garage is to provide a “first class” parking experience, which includes a valet parking option and short wait times to pay and exit.
- Support Retail Operations – Garage hours are required to cover the hours of operation of all tenants at Pacific Place and Nordstrom.

The City issued general government bonds to purchase the Garage and began operating it in late 1998. Debt service on these bonds was designed to increase gradually over time to mirror the expected increase in nominal parking revenue due to inflation. This approach also provided an early establishment period during the renovation of the retail buildings.

Since the onset of the current economic climate, traffic in the Garage has decreased more than general citywide retail activity. To respond to lower demand as well as higher operating expenses for debt service and parking taxes and to test demand sensitivity to price, the City both raised and lowered parking rates at the Garage. Neither the increase nor decrease in prices had a noticeable impact on demand. Consequently, revenue is insufficient to pay all expenses, and the Garage fund currently has a negative cash position of \$2.8 million.

Ordinance 124123 passed in February 2013 authorizes a loan of \$5 million to the Downtown Parking Garage Fund. The loan expires December 31, 2014.

The loan authorized by this ordinance provides up to \$9,500,000 to support Garage operations while a long-term solution is identified.

This legislation does not have any financial implications.

This legislation has financial implications.

Anticipated Total Revenue from Entire Program, Including Changes Resulting from this Legislation:

Fund Name and Number	Revenue Source	Total 2014 Revenue	Total 2015 Revenue
TOTAL			

Total Revenue Notes: This loan does not result in any new revenues for the City but authorizes a loan from the Consolidated Cash pool to the Downtown Parking Garage Fund. The loan will be repaid from excess cash flow from the Garage or from the City’s General Fund.

Other Implications:

- Does the legislation have indirect financial implications, or long-term implications?**
 This loan does not result in any new revenues for the City but authorizes a loan to the Downtown Parking Garage Fund. The loan will be repaid from excess cash flow from the Garage or from the City’s General Fund.



- b) **What is the financial cost of not implementing this legislation?**
Without this loan, the Downtown Parking Garage Fund will be in a negative cash position (receiving a de facto loan) for more than 90 days. Seattle Municipal Code Section 5.06.030 requires Council approval by ordinance of any interfund loan with duration of more than 90 days.
- c) **Does this legislation affect any departments besides the originating department?**
No other departments are affected by this legislation.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
Alternatives to this legislation include subsidizing Garage operations from General Fund resources. In addition, FAS is evaluating options for improving Garage performance. Consequently, a loan that can be repaid from operations or other solution is currently preferred to a direct subsidy.
- e) **Is a public hearing required for this legislation?**
No.
- f) **Is publication of notice with The Daily Journal of Commerce and/or The Seattle Times required for this legislation?**
No.
- g) **Does this legislation affect a piece of property?**
No.
- h) **Other Issues:** None.

Please list attachments to the fiscal note below: None.



City of Seattle
Office of the Mayor

September 23, 2013

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am transmitting the attached proposed Council Bill, which authorizes a loan of up to \$11,750,000 from the City's cash pool to support continued operations at the Pacific Place Garage through the end of 2015, replacing a \$5 million loan previously authorized by Ordinance 124123. The loan will be repaid with revenue from the Garage's operations or by the City's General Fund.

The City of Seattle acquired the Pacific Place Garage in 1998 through agreements authorized by Ordinance 118011 for the purpose of encouraging short-term parking as part of an effort to revitalize the downtown core. Historically, revenues from the operation of the Garage have been sufficient to pay all operating costs. However, due to the economic downturn and other factors, the Garage is currently facing an operating deficit. This legislation will provide bridge financing to operate the Pacific Place Garage while a long term solution is identified.

Thank you for your consideration of this legislation. Should you have questions, please contact Mark Ellerbrook at 233-0026.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

