

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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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; and providing for repayment.

Summary of the Legislation: Recent economic conditions prevent Pacific Place Garage revenues from completely covering garage expenses. This loan replaces a prior short-term loan that expired on December 31, 2012. 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 \$5 million to the Downtown Parking Garage Fund through December 31, 2014, 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 over the last 24 months. 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 \$3.7 million.

Ordinance 123694 passed in September 2011 authorizes a loan of \$4 million to the Downtown Parking Garage Fund. The loan expired December 31, 2012.

The loan authorized by this ordinance provides up to \$5 million to support Garage operations while a long-term solution is identified.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL			\$0	\$0

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
Downtown Parking Garage Fund (46010)	Finance and Administrative Services	General Fund Consolidated Cash Pool (00100)	\$5 Million	\$5 Million

Revenue/Reimbursement Notes: 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.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

(This table should only reflect the actual number of positions affected by this legislation. In the event that positions have been, or will be, created as a result of other legislation, please provide details in the Notes section below the table.)

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2013 Positions	2013 FTE	2014 Positions*	2014 FTE*
TOTAL			0	0	0	0	0

* 2014 positions and FTE are total 2014 position changes resulting from this legislation, not incremental changes. Therefore, under 2014, please be sure to include any continuing positions from 2013.

Position Notes: This legislation does not create any new positions.

Do positions sunset in the future? n/a

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 If garage performance does not improve or another solution is not found, the General Fund will ultimately be responsible for repayment of the loan.
- b) **What is the financial cost of not implementing the 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

List attachments to the fiscal note below: N/A