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ORDINANCE _____

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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; providing for repayment; and ratifying and confirming certain prior acts.

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 all 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 current economic conditions, 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, the City Council approved a short-term loan to the Downtown Parking Garage Fund from the City's Consolidated (Residual) Cash Pool with the passage of Ordinance 123443 on November 22, 2010; and

WHEREAS, the short-term loan expired on June 30, 2011; and

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

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. A loan of not more than \$4 million of principal and interest outstanding at any one time is hereby authorized to be made from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the Downtown Parking Garage Fund (46010). The loan expires December 31, 2012, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.



1 Section 2. The entire principal and interest amount of the loan authorized by Section 1 owed by
2 Downtown Parking Garage Fund to the City's Consolidated (Residual) Cash Pool, or its participating
3 funds, shall be repaid with the revenues from operating the Pacific Place Garage.

4 Section 3. The Director of Finance may effectuate the loan authorized in Section 1 by
5 transferring cash from one or more of the funds participating in the City's Consolidated (Residual) Cash
6 Pool to the Downtown Parking Garage Fund, or by carrying the Downtown Parking Garage Fund in a
7 negative cash position in an amount not to exceed \$4 million through December 31, 2012.

8 Section 4. Any acts consistent with the authority and after the passage and prior to the
9 effective date of this ordinance are hereby ratified and confirmed.

10 Section 5. This ordinance shall take effect and be in force 30 days after its approval by the
11 Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take
12 effect as provided by Seattle Municipal Code Section 1.04.020.
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Passed by the City Council the ____ day of _____, 2011, and signed by
me in open session in authentication of its passage this
____ day of _____, 2011.

President _____ of the City Council

Approved by me this ____ day of _____, 2011.

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2011.

Monica Martinez Simmons, City Clerk

(Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Finance and Administrative Services	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; and providing for repayment; and ratifying and confirming certain prior acts.

Summary of the Legislation: Current economic conditions prevent Pacific Place Garage revenues from completely covering garage expenses. This loan replaces a prior short-term loan that expired on June 30, 2011. The loan will provide bridge financing to operate the Pacific Place Garage while expenses and revenues are brought into balance, by authorizing a loan of up to \$4 million to the Downtown Parking Garage Fund through December 31, 2012.

Background: Historically, Pacific Place Garage consistently generated revenue sufficient 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. Anecdotal evidence from parking operators and other garages indicates that the Pacific Place Garage's downturn is common to other large garages in the Seattle area.

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 downtown, the contracts through which the City acquired the Garage prescribe many aspects of its 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, the City increased the Garage's rates in 2010. These increases did not provide sufficient revenues to pay all expenses, and the Garage fund currently has a negative cash position of \$1.3 million. Anticipating this position, FAS received a short-term loan of \$1.5 million to support Garage operations.

In an effort to improve operations more quickly, FAS is considering a variety of options, including:

- Adjusting Rates - both increasing and decreasing
- Decreasing expenses
- Identifying additional revenue options

In addition, FAS is also exploring more closely the link between downtown retail activities, demand for parking in the Pacific Place Garage, and the Garage's pricing in order to more accurately predict and explain changes in parking demand. Towards this end, FAS is carrying out a Summer Rate Pilot to determine the impact of parking rates on demand. At the completion of the Pilot in September, FAS will analyze demand data to inform next steps for Garage operations.

The loan authorized by this ordinance provides up to \$4 million to support Garage operations while adjustments are made to its revenues and expenditures. FAS expects that revenues can support the Garage's operations costs in the medium term as evidenced by past performance. However, FAS does not believe the deficit in operating funds that necessitates this loan will be corrected in 2011. FAS intends to review the data from the rate pilot and, coupled with additional analysis of the City's contractual obligations, Garage operations, and debt structure, will determine how to improve Garage performance by first quarter 2012.

Please check one of the following:

This legislation does not have any financial implications.
(Stop here and delete the remainder of this document prior to saving and printing.)

This legislation has financial implications. (Please complete all relevant sections that follow.)



Anticipated Revenue/Reimbursement: Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2011 Revenue	2012 Revenue
Downtown Parking Garage Fund (46010)	Finance and Administrative Services	General Fund Consolidated Cash Pool (00100)	\$4,000,000	
TOTAL			\$4,000,000	

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.

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 a duration of more than 90 days.

Does this legislation affect any departments besides the originating department? No other departments are affected by this legislation.

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. However, Garage revenues have historically been sufficient to cover Garage operations. In addition, FAS is evaluating options for improving Garage performance. Consequently, a loan that can be repaid from operations is currently preferred to a direct subsidy.

Is the legislation subject to public hearing requirements? No.

Other Issues: None

List attachments to the fiscal note below: N/A

