#3

Mark Ellerbrook
FAS Pacific Place Garage 2013 Loan ORD
January 15, 2013
Version 3

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117706

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.

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 and Mayor approved a short-term loan of not more than $4 million to the Downtown Parking Garage Fund from the City's Consolidated (Residual) Cash Pool with the enactment of Ordinance 123694 on September 12, 2011; and

WHEREAS, the short-term loan expired on December 31, 2012; 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,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. A loan of not more than $5 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, 2014, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.

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

Section 3. The Director of Finance may effectuate the loan authorized in Section 1 by transferring cash from one or more of the funds participating in the City's Consolidated (Residual) Cash Pool to the Downtown Parking Garage Fund, or by carrying the Downtown Parking Garage Fund in a negative cash position in an amount not to exceed $5 million through December 31, 2014.

Section 4. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2013, and signed by me in open session in authentication of its passage this _____ day of _____, 2013.

_____

President _____of the City Council

Approved by me this ____ day of _____, 2013.

_____

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2013.

_____

Monica Martinez Simmons, City Clerk

(Seal)

COUNCIL CLERK

Form revised: December 12, 2012

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.

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.

COUNCIL CLERK

- 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.**

_X_ **This legislation has financial implications**

Appropriations:

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

COUNCIL CLERK

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

COUNCIL CLERK

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

COUNCIL CLERK

City of Seattle
Office of the Mayor

January 15, 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 $5 million to support continued operations at the Pacific Place Garage through the end of 2014, replacing a $4 million loan previously authorized by Ordinance 123694 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. 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.

In addition to the loan proposed by this legislation, the Department of Finance and Administrative Services (FAS) is considering options for the Garage's future and will continue to monitor its operations and revenues while determining next steps. We will keep the Council apprised of viable options as more information becomes available.

Thank you for your consideration of this legislation. Should you have questions, please contact Mark Ellerbrook at 3-0026.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
Office of the Mayor
600 Fourth Avenue, 7th Floor
PO Box 94749
Seattle, WA 98124-4749

Tel (206) 684-4000
Fax (206) 684-5360
TDD (206) 615-0476
mike.mcginn@seattle.gov