RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA FIXING AND ASSESSING THE PARKING AND BUSINESS IMPROVEMENT AREA ASSESSMENT RATES FOR FISCAL YEAR 2011, AND CONFIRMING APPROVAL OF THE PARKING AND BUSINESS IMPROVEMENT AREA ANNUAL ASSESSMENT REPORT FOR FISCAL YEAR 2011

WHEREAS, pursuant to Section 4.37.010 of the Municipal Code of the City of Santa Barbara, there is hereby levied upon businesses located within the Downtown Parking and Business Improvement Area (PBIA) a special business assessment rate; and

WHEREAS, the revenues derived from this assessment in Fiscal Year 2011 shall be applied to the cost of providing low cost, customer-oriented public parking in the Downtown of Santa Barbara.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

SECTION 1. The quarterly assessments shall begin **July 1, 2010**.

SECTION 2. The rates are established pursuant to the following schedule and applicable sections of all previous resolutions related to the Parking and Business Improvement Area assessments are hereby repealed.

SECTION 3. The attached PBIA Annual Assessment Report for Fiscal Year 2011 (Exhibit) is hereby confirmed as approved on May 25, 2010.

<u>Parking and Business Improvement Area Business Rates</u>

I. Retail and/or Wholesale Businesses (Including Restaurants):

Group A: Average sale of less than $20, $.56 per $100 of gross sales.

Group B: Average sale between $20 and $100, $.29 per $100 of gross sales.

Group C: Average sale of more than $100, $.16 per $100 of gross sales.

Group D: Movie theaters only, $.16 per $100 of gross sales

Group E: Fitness Facilities/Health Clubs, $.29 per $100 of gross sales

II. Financial Institutions:

$.48* square foot of usable space annually.

III. Stock and Bond Brokerage Offices:

$81.30* per broker.

IV. Bus Depots:

$.06* cents per square-foot of usable building space.

V. Professional:

$32.50* per person practicing the profession, and $16.30 for each non-professional in addition to the above.

VI. Educational Facilities and Miscellaneous Classifications:

Group A: Educational Facilities: $0.19* cents per usable square-foot

Group B: Miscellaneous (All classifications not otherwise provided for): $.19* per usable square foot

VII. Hotel and Motels

# of assessed rooms x $1.50 day x 30 days x 3 months x .50 occupancy = quarterly charges

Assessed rooms = # of rooms – on-site parking provided

No patron parking credit would offered as it is part of the calculation.

EXHIBIT

City of Santa Barbara

Parking and Business Improvement Area (PBIA)

ANNUAL ASSESSMENT REPORT

Fiscal Year 2011

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INTRODUCTION

This report, filed annually as required by the California Parking and Business Improvement Law of 1989, will provide an explanation of any proposed changes, including, but not limited to the boundaries of the adopted City of Santa Barbara Downtown Parking and Business Improvement Area (PBIA) or any benefit zones within the area, the basis for levying the assessments and any changes in the classifications of businesses.

Santa Barbara's Downtown Parking Management Program operates and maintains seven public parking lots and five structures in the Downtown business core area, providing a total of 3,234 parking spaces. The program is oriented towards clients and shoppers, and is directed by the City's Circulation Element to increase the public parking available and reduce the need for employee parking in the Downtown Core. The reduction of employee parking is supported by Alternative Transportation initiatives to increase carpooling, bicycling, and mass transit programs. The Downtown Parking budget is funded primarily by Hourly Parking Revenues, and to a lesser extent, by the PBIA and parking permits. The PBIA revenues are directed solely towards employee salaries and utility costs in support of the operation of the parking lots. Other revenues derived from Hourly Parking charges and permits support the balance of expenses, including Alternative Transportation programs designed to reduce employee parking in the Downtown Core.

For the purpose of the assessment, the "Amendment To" and the "1999 Final Engineer's Report of Formula and Methodology of Assessments" (Engineer's Report), on file at the City Clerk's Office, shall form the basis of the Annual Report.

I. PROPOSED CHANGES

For Fiscal Year 2011, there are no changes to the boundaries or benefit zones. There are changes in the classifications and rates for levying the assessments of the Parking Business Improvement Area as established in the "Amendment To" and the "Engineers Report." These changes are explained in the Rates Section of this report.

II. IMPROVEMENTS AND ACTIVITIES

A parking rate, designed to promote short-term customer/client parking, including 75 minutes of free parking, is currently in effect in all City-operated Downtown Parking facilities. These facilities are maintained and operated by the City's Downtown Parking Program.

III. ESTIMATED OPERATING COSTS OF THE CITY'S DOWNTOWN PARKING PROGRAM FOR FISCAL YEAR 2011

Expenses	PBIA	Parking Program	Total
Salaries and Benefits	$1,760,273	$2,189,216	$3,949,489
Materials, Supplies & Services	$230,000	$600,750	$830,750
Allocated Costs		$204,513	$204,513
Insurance/Overhead		$767,261	$767,261
General Fund Transfer		$312,621	$312,621
Equipment/Capital		$25,000	$25,000
Appropriated Reserves		$50,000	$50,000
Alternative Transportation Program		$483,978	$483,978
Bikestation		$25,000	$25,000
New Beginnings Contract		$39,150	$39,150
Total Operating Expenses	**$1,990,273**	**$4,697,489**	**$6,687,762**
Capital Program Expenses		$660,000	$660,000
Total Expenses		**$5,357,489**	**$7,347,762**

IV. PBIA RATES

A more detailed basis for levying the assessment is explained in the Amendment to the Engineer's Report.

I. Retail and/or Wholesale Businesses (Including Restaurants):

Group A: Average sale of less than $20, $.56 per $100 of gross sales.

Group B: Average sale between $20 and $100, $.29 per $100 of gross sales.

Group C: Average sale of more than $100, $.16 per $100 of gross sales.

Group D: Movie theaters only, $.16 per $100 of gross sales.

Group E: Fitness Facilities/Health Clubs, $.29 per $100 of gross sales.

Average sale is computed by dividing the total gross sales for the year by the number of sales transactions.

II. Financial Institutions:

$.48* per square foot of usable space annually.

III. Stock and Bond Brokerage Offices:

$81.30* per broker.

IV. Bus Depots:

$.06* cents per square-foot of usable building space.

V. Professional:

$32.50* per person practicing the profession, and $16.30 for each non-professional.

VI. All Categories Not Otherwise Provided For:

Group A: $0.19* cents per square-foot of usable building space.

Group B: Educational Facilities (non-public) $.19* per square foot of usable building space.

VII. Hotel and Motels

# of assessed rooms x $1.50/day x 30 days x 3 months x .50 occupancy = quarterly charges

Assessed rooms = # of rooms (–) on-site parking spaces provided

No patron parking credit would be offered as it is part of the calculation.

*Rates for these categories are shown for annual assessment. To determine quarterly payments, divide rates by four.

V. REVENUE CARRYOVERS

No excess PBIA revenues will be carried over from 2010 to the 2011 Operating Budget.

VI. PROJECTED DOWNTOWN PARKING PROGRAM REVENUES DERIVED

Revenues:	Hourly Parking	$4,300,000
	Other Parking Fees	$695,000
	Lobero Garage	$246,000
	Interest Income	$154,700
	Commuter Parking Lot	$300,000
	TMP/Rents	$78,740
	Downtown Security Support/New Beginnings Contract	$59,150
	Miscellaneous/Special	$11,500
	Subtotal	**$5,845,090**

***PBIA ASSESSMENT** (Anticipated – **Fiscal Year 2011** collections) **$840,000**

Total Revenues $6,685,090

Revenues collected from the PBIA subsidized approximately $0.20 of the cost of providing parking for each vehicle parked within the Downtown Parking System.

CITY OF SANTA BARBARA

PARKING AND BUSINESS IMPROVEMENT AREA

(PBIA)

ADDENDUM TO
FINAL ENGINEER'S REPORT OF FORMULA
AND METHODOLOGY OF ASSESSMENTS

PREPARED BY: PENFIELD & SMITH
1327 DEL NORTE ROAD
CAMARILLO, CA 93010
805-981-0706

PROJECT ENGINEER: PATRICK J. REEVES, P.E.

DATE: May 18, 2010

W.O. 16587.02

REGISTERED PROFESSIONAL ENGINEER
PATRICK J. REEVES
No. 25278
Exp. 12-31-2011
CIVIL
STATE OF CALIFORNIA

ADDENDUM

ADDENDUM TO:	PBIA Final Engineer's Report of Formula and Methodology of Assessment Dated October 5, 1999	
FROM:	Patrick J. Reeves, Principal Engineer - Penfield & Smith	
SUBJECT:	Addendum PBIA Update	
DATE:	May 18, 2010	W.O. 16587.02

INTRODUCTION and BACKGROUND

The City of Santa Barbara established a Parking and Business Area (PBIA) in 1970 for the purpose of collecting funds to partially finance the operation and maintenance of downtown off-street parking. The revenue from this tax collection program is also helping to defray the cost of providing the 75-minute free parking service for these parking facilities. Over the years, various changes to the PBIA boundaries and zones-of-benefit have occurred due to the construction of new parking facilities. New Engineer's reports were prepared in 1991 and 1999 to reflect these changes.

In recent years, the parking division staff noted a number of business categories that either did not exist previously or the taxes paid were not consistent with the benefits received. Additionally, the parking facilities began being staffed and monitored for longer periods. Due to this and other reasons listed in the following paragraph, the City has retained the services of Penfield & Smith to prepare an Amendment to the 1999 Engineer's Report. The purpose of this amendment is to confirm the findings of the earlier reports and modify various categories and rates to provide for an equitable distribution of charges based on the benefits received. The amendment is meant to supplement the 1999 Engineer's Report and not replace it. It also should be noted that the intent of this document is to achieve an overall financial impact of being revenue neutral, with no overall change in the annual revenue.

There is a general belief that the methodology of benefits received (access and proximity to available parking) has not changed. There is also no need to change the "Zone of Charge" (Zone of Benefit) or parking credits as described in the previous Engineer's Report. The consensus is that the tax rates need to be consistent among business types, in order that all categories generate the appropriate revenue in relation to the benefits they receive. A good example of an inequity is that comparably-sized financial institutions, with similar numbers of customers and traffic, paid greatly different PBIA charges. It has also been noted that some of the categories did not appear to be appropriate for some of the more recent activities that now occur in the downtown area, such as: educational facilities, cyberspace/mini offices, and fitness facilities/health clubs.

EXISTING RATE TABLE (ANNUAL)

Ordinance 5126 Categories	1999 Engineer's Report Categories	DESCRIPTION	RATE STRUCTURE
A1	1A	Retail/Wholesale- Small Purchases	$0.56 / $100 in Sales
A2	1B	Retail/Wholesale-Medium Purchases	$0.29 / $100 in Sales
A3	1C	Retail/Wholesale-Large Purchases	$0.16 / $100 in Sales
D	1D	Theaters	$0.08 / $100 in Sales
B	II	Financial Institutions	$32.50 / $ Million Deposits
C	III	Stock and Bond Brokerage businesses	$81.30 / Broker
D	IV	Bus Depots	$0.06 / SF of Usable Building
E	V	Professional Office Spaces	$38.50 / Practicing Professional $16.30 / Non-Professional
F	VI	All other categories	$0.19 / SF of Usable Building
Note: All Sales are gross numbers. Rates for all categories are shown for the total annual Assessment. SF is the abbreviation for Square Feet.			

CATEGORIES UNDER CONSIDERATION

CYBER SPACE/MINI OFFICES

Even though a one-person office may not have any walk-in business, it is normal to assume that there will be delivery and service personnel which will utilize the City's parking facilities. These service people will also include janitorial, Federal Express, Overnite Express, UPS, as well as repair services for office machines (printers/computers/phones) etc. It also could be assumed that they will have deliveries of supplies, refreshments and other various services. It is therefore recommended that they continue to receive their existing charge. If they are categorized as a Single Professional, the charge would be $32.50 per quarter. If they fall under the category of "All Other Categories" they would be charged at $0.19 per usable square foot, which would equal $30.40 per quarter if they are using 160sf office; $38.00 for 200sf office. The Professional Rate is equivalent to a 171sf office.

EDUCATIONAL FACILITIES

All of the various schools, Brooks Institute, Language Schools, Dance Schools, Martial Arts, etc. can have an impact on the City's Parking Facilities. The Brooks Institute is now paying the "Miscellaneous" rate of $0.19 per usable square foot per quarter. This amount was analyzed in a previous study and found to be in line with the benefit they receive.

It is recommended that all other educational facilities be charged this rate also. They are currently being charged similar rates as a Professional, where each instructor is compared to a CPA, Attorney, or Doctor. The difference being that these professionals may only see 6-15 clients per day, yet the schools may have that many clients or students per hour. This results in a major disparity between the actual benefits received and what the schools are paying. Therefore, we recommend that all "Educational or Training"

facilities be given their own classification, which will be the same as the current "All Other Categories" rate of $0.19 per usable square foot per quarter.

HOTELS AND MOTELS

Currently the PBIA is only charging this category if they maintain restaurants or gift shops on the premises. There is also an opportunity to charge them for their meeting rooms, but there is also an option for hotels to convert a portion of their guest rooms into temporary or interim meeting rooms. It would be difficult to monitor this use; therefore we recommend the following approach:

Originally, the City provided staff at the parking facilities from 7 AM to 6 PM and revenues were not collected for many night time activities. It was assumed that many hotel customers would come in the evening and leave in the morning and weren't really a short term parking customer, therefore not really benefiting from short term stays. Now however, the City's parking facilities are open longer hours and the maximum rates have increased, making the value of the 75 minute free parking to become a benefit to most folks who stay less than 24 hours. We have ignored the fact that hotels use many support and administrative staff, outside services and deliveries which take advantage of the City's parking facilities. Instead, we will consider the number of guest rooms at each location that does not include assigned parking. It is assumed that not all guests will have vehicles and that there is not always 100% occupancy. For the purpose of this analysis we are assuming a 50% occupancy rate and have provided no assessments towards employees and support personnel. This charge is going to be in addition to the commercial retail charges for gift shops and food services. We are utilizing a $1.50 per day charge for every room that does not have an assigned parking space and have provided the sample calculations for the four existing hotels which are located in the PBIA with at least a 20% Zone of Benefit (ZOB).

1. Adobe Hotel = 17 rooms, apartments & 17 spaces; No Charge
2. Hotel Santa Barbara = 75 rooms & 20 spaces; difference = 55 charges
   55 x $1.50/day x 30 days x 3 months x .5 occupancy x .20 ZOB = $742.50/qtr
3. Hotel State Street = 52 rooms & 10 spaces; difference = 42 charges
   42 x $1.50/day x 30 days x 3 months x .5 occupancy x .20 ZOB = $567.00/qtr
4. Canary Hotel = 97 rooms & 60 spaces; difference = 37 charges
   37 x $1.50/day x 30 days x 3 months x .5 occupancy x 1.0 ZOB = $2,497.50/qtr

The Net result of this calculation is to use a rate of $1.50 per day times 90 days for a quarter, assuming a 50% occupancy rate or $1.50 x 90 x 0.50 = $67.50 quarter. If this is converted to an annual basis, this results in the annual charge of $270, and it is only applied to rooms that are not provided with existing parking.

THEATERS

This category needs to be modified in light of the City's new policy of staying open later hours. The theaters can easily show 2-4 films per theater per day. Most customers that come in and out of the theater will receive the full benefit of the 75 minute free parking, which is a real value per person. If we were only considering the Metro Theater, which has 700 seats, and was only 10% occupied for one movie showing per day, the benefit received is as follows:

- 700 seats x $1.50/day x 30 days x 3 months x .10 occupancy x 1.0 ZOB = $9450/qtr

Under the current formula of $.08 per $100 in retail sales, they have only been paying an average of $400 per quarter. This rate is one seventh of the rate for Small Purchase retail sales (sales < $20) and less than one third of the rate for Medium Purchase retail sales (sales $20 - $100). There is no evidence that the theaters receive any fewer benefits than other retail businesses, therefore their rate needs to be adjusted to become equitable with similar businesses.

It has been assumed that the average individual customer spends about $15 per movie; however, it is likely that most people come in groups of 2 or more per vehicle trip, making it safe to assume that the theaters fit into the Medium Purchase Category. This would increase their rate or revenue from $.08 per $100 in sales to $.29 per $100 in sales, an increase of 3.62 times. The quarterly revenue would increase from approximately $400/quarter to $1400/quarter. As a group, the four theaters combined are currently generating average revenues of $1500/quarter. This would increase to about $5400/quarter if the adjustment were made.

During a public meeting with the City Council on May 11, 2010, concern was expressed about making such a large increase in light of the existing economy. The decision was made to utilize the same retail rate as determined for large purchases, which would still double the rate to $0.16 per $100.00 in retail sales (from the current rate of $0.08). It was also acknowledged that when the economy recovers, this rate would be subject to further consideration.

FITNESS FACILITIES AND HEALTH CLUBS

Existing fitness facilities within the PBIA are being charged the retail rate of $0.29 per $100 in sales. It is advised that a new category be established to reflect this rate and thus avoid any confusion in the future. The charge appears to be reflective of the benefits received from the City's parking facilities.

FINANCIAL INSTITUTIONS

This category is currently calculated by the amount of dollars in savings that are on deposit. Unfortunately, there does not seem to be a nexus between this formula and the actual parking usage. In fact, we found that one institution is paying nearly 60% of the 9 current financial institutions combined.

We believe that a more reasonable approach would be to charge a rate which would be revenue-neutral for this category. If a per usable square foot charge were established, there would not be the annual fluctuations when deposits and withdrawals occur. In addition, the amount of parking usage and benefits received, seem to be more in line with a per square foot procedure.

Therefore, we recommend that this category assessment be charged to a fee of $0.48 per usable square foot per year (or $0.12 per usable square foot per quarter). This new rate will generate overall similar revenues from this category as were obtained by the previous method. Please note that a few businesses will receive significant decreases in their fees, but most will find increases in their quarterly billings.

PROPOSED RATE TABLE

ORDINANCE 5126 CATEGORY	1999 Engineer's Report Categories	DESCRIPTION	EXISTING RATES	PROPOSED RATES	REMARKS
A1	1A	Retail/Wholesale (Small Purchases)	$0.56 / $100 Sales	$0.56 / $100 Sales	No Change
A2	1B	Retail/Wholesale (Medium Purchases)	$0.29 / $100-Sales	$0.29 / $100 Sales	No Change
A3	1C	Retail/Wholesale (Large Purchases)	$0.16 / $100 Sales	$0.16 / $100 Sales	No Change
D	1D	Theaters	$0.08 / $100 Sales	$0.16 / $100 Sales	Changes from $.08 /$100 sales to large purchase in retail sales
A2	1E	Fitness Facilities/Health Clubs	$0.29 / $100 Sales	$0.29 / $100 Sales	No Change- Specific category created
B	II	Financial Institutions	$32.50 / $1 Million in deposits at first of year	$0.48 / Usable SF	Increase & decrease; Comparable with other office space
C	III	Stock & Brokerage Offices	$81.30 / Broker	$81.30 / Broker	No Change
D	IV	Bus Depot	$0.06 / Usable SF	$0.06 / Usable SF	No Change
E	V	Professional	$32.50 / Professional $16.30 / Non-Prof	$32.50 / Professional $16.30 / Non Prof	No Change
F	VI	All other categories	$0.19 / Usable SF	$0.19 / Usable SF	No Change - Specific Category created
F	VI (a)	Educational Facilities	$0.19 / Usable SF	$0.19 / Usable SF	No Change - Specific Category created
G	VII	Hotels & Motels	Exempted	$67.50 / Guestroom / Quarter or $270 / Guestroom per year (for rooms without assigned parking spaces)	New Category & Rate

It is important to note that all of the above rates are the annual charge for each category. All of the definitions and conditions of the methodology and billing procedures are as described in the 1999 Engineer's Report and as are currently occurring.

INFLATIONARY IMPACTS

The Consumer Price Index has increased over 26% since the current PBIA rates were last amended in 1999. Some categories, such as retail sales and financial institutions may have also realized increased rates due to inflation. On the other hand, categories that are based on building square footage or the number of professionals have not seen an increase in parking fees.

It is recommended that the City adopt a policy to evaluate the overall revenues each year and compare them with the operating costs. To allow the PBIA to keep up with inflation, the City should establish a procedure to permit periodic adjustments in the per square foot or professional categories. This

procedure is normally incorporated into most annual Maintenance Districts and is easily tied to a nationally recognized index similar to the Consumer Price Index (CPI). The CPI is administered by the United States Department of Labor and is published on a monthly basis both nationally and for various regions within the USA. It can also be monitored by a 26 Metropolitan Area Index, the nearest being the Los Angeles-Riverside-Orange County areas.

The information and recommendations are based on our research over the last 3 years and are also based on the actual benefits received by the businesses within the categories analyzed. The recommendations are consistent with the methodology and approach used to establish the original PBIA and its subsequent modifications.

CONCLUSIONS and RECOMMENDATIONS

1. The City has recognized that there are a number of businesses that do not benefit from the parking services at the same levels as the categories and rates currently in effect.
2. The City operates its parking facilities for longer periods of time, and thus the benefit to downtown businesses can be shown to have increased.
3. The City has recognized large discrepancies in the payments being made by the financial institutions, and needs to develop a policy that provides a better connection between the annual charges and parking benefits received.
4. The theaters and hotel/motel categories have been receiving significant parking benefits under the current system without paying adequate fees. These categories need to be brought up to more equitable rate structure to level the playing field. Theaters in particular can be shown to enjoy comparable benefits to retail sales establishments.
5. The PBIA rate categories have been fixed for 10 years. Retail sales categories have their own built-in method of dealing with inflation; however, the categories which utilize a rate structure based on number of staff or building square footage should be adjusted periodically.
6. It is recommended that the City reconfirm the methodology of the PBIA annual charges and adopt the proposed rates discussed herein along with a policy of making future adjustments in these rates based on inflationary impacts.

End