

City of Golden

Memorandum



To: City Council
Thru: Michael C. Bestor, City Manager
From: Steve Glueck, Director of Planning and Development
Date: September 28, 2005
Re: Proposed IGA with GURA regarding Property at 13th and Jackson Streets

Recommendation

Staff recommends that City Council on October 6, 2005 discuss the proposed agreement described in this memo, and at that time determine whether to proceed with further discussion and consideration of ordinances by City Council and the Golden Downtown General Improvement District (GDGID) to authorize such agreement. GURA is requesting that the City consider the agreement now due to commitments they are considering related to adjacent and nearby properties.

Background

For the purposes of this discussion, please refer to the graphic exhibits attached to the draft agreement.

The City and GDGID have owned the affected property for many years. The City acquired the north half of the parking lot in 1961 (see Exhibit A-1), while the GDGID purchased the south half of the lot (see Exhibit A-2) on an installment purchase from the Golden Civic Foundation in 1986. The area has been public parking since prior to this purchase, and contains approximately 95 spaces.

The GURA board and a prior “parking committee” have been studying the use of this property for a potential parking or mixed use project for a number of years, starting in 1995. Studies completed in 1995, 2001 and 2003 all identified this site as a likely candidate for additional public parking when warranted. The 2003 study proposed a multi level parking garage with first floor commercial space facing Jackson Street. The proposal contained approximately 430 spaces and would have been about 45 feet tall. The proposal would have included the Evans parcel (see Exhibit A-3) and a portion of the parking lot for the Banks Insurance Agency on 12th Street. The project was not further pursued in 2003 based upon an uncertainty about whether the parking need was great enough yet to proceed, and the lack of a firm financing plan. The idea of proceeding toward some sort of redevelopment project for the area has received more attention in recent months as a potential addition to the proposed NexCore project at 1299 Washington Avenue.

Outline of Proposed Agreement

The agreement proposed to facilitate the proposed parking and mixed use development project includes the following elements:

- GURA plans to acquire the parcel at 708 13th Street (currently being referred to as the “dry-cleaner’s building” from the Evans family concurrently with NexCore’s purchase of the property at 1215 and 1299 Washington Avenue. This parcel is depicted on Exhibit A-3 to the agreement. Such purchase is expected to occur on or about November 15, 2005. GURA then intends to seek funding assistance and to proceed with a clean up of the historic environmental problem on the site.
- As a part of their agreement with NexCore. GURA will potentially commit to sell a reconfigured parcel back to NexCore, and consider developing a three phase mixed use project on the combined parcels east of the alley. The overall project includes the following steps:
 - The City and GDGID would authorize access to the public parcels to GURA for purposes of the environmental clean-up.
 - GURA would negotiate an agreement with the Banks property at 711 12th Street for a portion of their property in exchange for parking rights.
 - The City and GDGID would each convey their interests in the parking area to GURA in exchange for a commitment to improve the property and to eventually convey back real estate of significantly greater value.
 - GURA would seek to a vacation of the east/west alley through the parking lot.
 - GURA would process a minor subdivision plat to create the three lots shown on Exhibit B. Lot 1 facing 13th Street would be conveyed to NexCore for a price equal to or greater than GURA’s cost to acquire 708 13th Street.
 - Lot 3 would be retained as surface parking until such time as it is desirable to solicit development proposals for its disposition.
 - For Lot 2, GURA in conjunction with the City would plan a parking structure for primarily public ownership and use. The only private ownership in the structure would be a commitment to allow the owner of Lot 1 to participate in the full construction costs of spaces necessary to meet zoning needs for non-residential uses on that lot, and to own condominium rights to such spaces. As recommended by staff, unless the City grants approval in the future, Lot 3 could make cash in lieu payments, but would not have dedicated spaces. Staff also recommends that the spaces traded to the Banks property also be public spaces in the form of zoning credits.

- Apart from cash in lieu fees collected by the GDGID and some amount of GDGID surplus, GURA (and Lot 1 spaces) would fully fund the cost of the structure (currently projected between \$3.5 and \$4 million). Upon retirement of the debt on the structure, on or before the end of 2015, GURA would convey back its condominium rights to the City or GDGID (not both).

Policy Issues

As noted above, the discussion of downtown parking and mixed use projects has been ongoing for some time. In that discussion, the policy issues have been identified and remain essentially the same:

- Need for Parking One of the primary debates in recent years has been whether there is a need for additional parking, and if so when it should be addressed. While the current discussion of this location is being driven in part by the desire to address the dry cleaner's building and the opportunity to fund a project with tax increment from the NexCore project, the documented need for additional parking is more distinct than in recent years. The downtown parking attendant for GURA has been monitoring on-street parking usage, 2 hour spaces in lots, and all day spaces in lots periodically for the past five months. The summary of this effort bears out what downtown businesses and merchants are saying that the all day spaces in the lots are routinely nearly full. The survey indicates that usage varies through the day but that in the mid day peak, the long term parking ranges from 75 to 90% full. As would be expected, the short term parking and on street spaces turn over more often and tend to be most full at mid day and afternoon. While it would be possible to relieve some of the pressure on all day spaces by converting some of the 2 hour spaces in lots, this is likely only a short term answer. The immediate message from this information is that with more pressure from future changes, additional parking is certainly desirable. Some anticipated changes affecting supply and demand include:
 - Increased pressure on the Clear Creek Square structure from "Lot A" development (which is accommodated in the structure) and guest parking from the Millstone Condos.
 - The future expiration of the public parking agreement at the Golden Hotel.
 - The need to accommodate parking from vacant existing square footage when it is redeveloped (depending on the disposition of the Nexcore PUD, this would also include the existing square footage at 1215 and 1299 Washington Avenue).
 - Of the cash in lieu agreements to date, almost all the space is utilized and therefore the existing condition accommodates this demand. The only additional demand is a small amount of office space at 1301 Washington Avenue.
 - Both prior and current ideas for the 13th and Jackson lot include additional commercial and possible residential uses whose parking demand also needs to be accommodated by the project. While some of this additional square footage has

been proposed for aesthetic reasons to mask the parking, it also helps address the shortage of critical mass of commercial and residential space downtown which is a large part of the economic vitality problem.

- Other future projects.
- Community Character. Some of the objections to prior parking proposals has been the sheer mass of the proposed structures. By locating the project on Jackson Street rather than a prior idea on Arapahoe Street, some of these issues are addressed. However, the idea of a single structure covering almost ½ city block does seem imposing if taken close to the maximum height limit. By addressing the character issue, the proposed project is much more of an urban renewal project with a component of additional parking supply provided than a straight parking project. As such it addresses character by the division into three separate structures, the limitation of the parking structure to under 35 feet tall along Jackson Street and presenting two distinct projects along 12th and 13th Streets to fulfill other economic development needs for the City. It is also interesting to note that the current condition of surface parking on the public property only dates back less than 50 years. Prior to that these lots had a number of private uses and were more of a part of the downtown fabric. It seems shortsighted to argue that the surface parking lots are either the best use of land or that they are really part of the historic fabric of the community.
- Funding For prior ideas where the projects were essentially parking projects with some first level commercial space, the only feasible financing plan included a large city investment (about \$6 million) and potential debt payment over 25 to 30 years from the leasing revenues and sales tax increment from the leased space. The City would then be in the leasing and property management business, but would at least have some revenue stream. The difference with the current proposal is that GURA expects to be able to pay for the structure by 2015 and the GDGID's long term costs would only relate to upkeep.

Project Evaluation

One of the bigger challenges facing City Council and the GURA board is the evaluation of whether the proposed project is on the whole a “good idea” for the City. As is shown below, it all depends on what criteria one uses, ranging from direct cost to increased parking created, to overall economic vitality. Some of staff's thoughts have been as follows:

- What is the parking gain? The current proposal is to construct a 266 space parking structure, increase alley parking, increase Jackson Street parking by going to diagonal spaces, and leave the north end surface parking until the lot is sold at some future date. One way to look at the parking gain is as follows:

Short Term Future Supply

New Structure	266
New Public in Alley	6
Additional on Jackson	10
North surface lot	<u>18</u>
	300

Demand Components

Existing Lot spaces	95
Vacant cash in lieu	4
Probable Lot 1 bought spaces	35
Banks credit spaces	<u>4</u>
	138

This analysis shows that until the north lot is converted to a developed use, there is a substantial gain from the existing legal condition. The main policy issues revolve around the impact from the existing vacant Evans square footage that is assumed to be accommodated by the City, and the future size of development on the north lot. Staff did not add most of the 39 cash in lieu spaces to the demand figures since they are part of the existing demand. In terms of the existing Evans square footage, the primary demand for retail space would be short term customer parking, with employee parking being a much smaller component. The parking survey does show substantial supply of short term parking in nearby lots, with the north half of the Jackson Street lot 2 hour spaces generally less than 20% utilized. For the north lot, a future one story development would displace the surface spaces and create the zoning requirement for about 25 spaces, for a net reduction in supply of 18 and an increase in demand of about 25. A two story building here would have a higher zoning demand.

The difficult question is whether one looks primarily at total future spaces and known new demand, or if the “spaces” associated with the vacant Evans property and the future north lot are included in the analysis of “net gain”. In either case, the parking project significantly increases supply, accommodates both the future lots 1 and 3, and assures that the utilization of the vacant Evans space does not overwhelm supplies. However, in the most conservative analysis, this project does not create a major surplus of additional parking. Rather it creates a moderate net gain, and fulfills a range of community goals.

- Is it a good use of public funds? While it is the responsibility of the GURA board to evaluate the appropriateness of the utilization of tax increment funds, as property owners, the City and GDGID should be comfortable with the project prior to conveying property. Perhaps the biggest component in staff’s recommendation to consider the project is that it appears to be funded totally out of GURA’s tax increment and GDGIG cash in lieu fees (with all or nearly all of the GURA funds being generated by the NexCore project). In this sense, the combination of benefits related to increased parking, and future private use of the north and south lots seems to outweigh any concern that there is not a major net parking gain.
- Are the preliminary costs reasonable? Council has asked how the preliminary costs compare to the Clear Creek Square garage and similar projects. Mark Heller is investigating the Clear Creek Square project, but to date is finding costs closer to \$9,500 per space than the \$7,800 per space that some of us remembered. Mark has also found that the average cost nationwide in 2001 was about \$10,000 and has increased to \$12,600

in 2005. While more evaluation is warranted, it appears that the preliminary cost estimates are in the expected range.

Summary

Council will likely desire additional information on this project regardless of the schedule for consideration. Staff is ready to place an ordinance regarding the agreement on Council's regular agenda for first reading on October 13th and public hearing on October 27th. If Council approves the agreement, subsequent GDGID action can be scheduled for November 10, 2005 and December 1, 2005. Please advise with questions and requests for information.

Attachments: Draft Agreement and Exhibits