

August 31, 2016

Maurice Jones
City Manager, City of Charlottesville

George Benford
Co-Chairman, Downtown Business Association of Charlottesville

Joan Fenton
Co-Chairman, Downtown Business Association of Charlottesville

Dave Norris
General Manager, Charlottesville Parking Center

Dear Mr. Jones, Mr. Benford, Ms. Fenton and Mr. Norris:

On August 8, 2016, the Charlottesville Parking Center submitted a set of scenarios to the City of Charlottesville, outlining a range of potential approaches to resolve the management and ownership of the Water Street Garage. The Water Street Garage (WSG) is currently owned and operated jointly by the Charlottesville Parking Center (CPC) and the City of Charlottesville on land that is leased from CPC. This letter reviews the proposed scenarios in terms of their impacts on parking and overall urban planning objectives in downtown Charlottesville, including impacts on local businesses. I have consulted with CPC on parking management over the past two years, and I send you this review in that capacity. As a transportation and urban planner who has worked on parking management issues, now living in the City of Charlottesville and teaching these same subjects at UVA, I hope that this assessment is a constructive addition to the community-wide debate over parking in downtown Charlottesville.

Overview of the Scenarios

CPC's letter of August 8, attached as an addendum, outlines four scenarios. Summarized here, they are:

<i>Scenario</i>	<i>Key Elements</i>
1) CPC sells WSG Parking and Office Space to City	<ul style="list-style-type: none">• CPC sells all parking and office spaces in WSG to City• Price to City for parking and office space determined as per requirements of an eminent domain process, estimated at a minimum of \$9,000,000¹• City can purchase land under the garage at market value at end of ground lease in 2024
2) City sells WSG Parking to CPC and City builds new, additional Market St. Garage	<ul style="list-style-type: none">• City sells its parking spaces in WSG to City• Cost of spaces determined by appraisal value and 20% premium• City would use proceeds from sale to build a new Market St. Garage

¹ Estimated value supplied by CPC.

<i>Scenario</i>	<i>Key Elements</i>
	<ul style="list-style-type: none"> • CPC would maintain validation program and keep WSG rates at Market Street rates until enough time has lapsed to allow for the City to build a new garage
3) City sells WSG Parking to CPC and CPC builds new, additional Market St. Garage	<ul style="list-style-type: none"> • Same as Scenario 2, <i>plus</i>: • CPC would build new garage with approx. 300 spaces at Market and 7th • New Market St. Garage would open one year after CPC's purchase of City's WSG spaces • 100 spaces in CPC garages guaranteed for Albemarle County at no charge for 30 years • City's disposition of funds open to use on alternative transportation or other community priorities
4) No WSG Settlement	<ul style="list-style-type: none"> • Litigation continues • Ground lease will still reset in 2024 • Resolution likely similar to either Scenario 1 or 2, but with added uncertainty and legal costs to City and CPC • Makes downtown parking planning for both on and off street more difficult

Scope of this Review

This review focuses on two areas: (1) parking impacts at WSG and downtown generally and (2) the relationship to the City's broader objectives in downtown Charlottesville, including fostering local economic activity. Contractual and financial arrangements between the City and CPC are beyond the scope of this review, but differences in these arrangements may impact the parking and planning outcomes of four scenarios. Those impacts are included as relevant and noted as such.

Factors Determining Differences between the Scenarios

Differences between the scenarios are determined largely by how each scenario is supportive of or detracts from the goal of accommodating people arriving by car to downtown (parking impacts), as well as the overall vibrancy and economic vitality of downtown Charlottesville (urban planning impacts). I apply a consistent set of available information, standards, and best practices to make the comparisons.² These factors, categorized in terms of parking and urban planning impacts, are listed here.

Key Factors: Parking Management

- **Demand for Parking at WSG Depends on the Local Economy Plus Relative Attractiveness to other Parking Options:** Prices for parking, from on-street to parking lots to the large structures, are set by a wide range of parking operators, including the City and CPC. However, demand for parking is influenced by area-wide factors. Therefore, parking utilization at a specific facility, like WSG, depends on the economic vitality of the surrounding area, plus the relative attractiveness of the facility in terms of price and usability.

² For information specific to parking and planning in downtown Charlottesville, I refer generally to the 2015 *Downtown and University Corner Comprehensive Parking Analysis* authored by Nelson/Nygaard, the 2013 City of Charlottesville Comprehensive Plan, and additional data from both CPC and the City of Charlottesville. Key factors are informed by parking management best practice as well as professional experience, with reference to Richard Willson's *Parking Management for Smart Growth* (2015) and the 2015 Nelson/Nygaard report.

- **Parking Prices should be Determined based on the Current Supply:** The economic law of supply and demand suggests that the right price is the one that matches demand to the current supply. Put another way, the most reasonable price any parking operator can hope to charge is one that maximizes usage of the garage. Prices that are too high will keep people away, reducing revenue to the operator, and prices that are too low will push demand beyond the supply, causing congestion and frustration as people attempt to park but cannot. Artificially low prices won't bring any more people to the area, however, as a supply shortage will limit availability. No garage operator, whether public or private, in seeking to best utilize the garage and consequently their economic gain would employ prohibitive pricing regimes.
- **Flexible, Demand-Responsive Pricing and Improved Information with Technology:** The 2015 Nelson/Nygaard report states that while the Market Street garage and on-street parking are often fully utilized, WSG generally does not exceed 60% occupancy on a typical day. Thus, WSG could support additional arrivals in downtown, and part of the challenge would be making it easier to use. Maximizing the use of off-street parking requires both flexible approaches to pricing and better information and marketing to a wide range of users. Pricing and information provided to potential parkers should respond directly to demand as it varies over the day.

A large multilevel structured parking facility, especially one seeking more infrequent users such as downtown shoppers, requires effective promotion and management techniques. Today, this includes the use of information technologies that monitor garage occupancy, adjust prices flexibly according to demand, allow travelers to conveniently pay with a minimum of waiting or complexity, and integrate parking information, including prices, with signage and apps that maximize the visibility of a variety of parking options.

- **Parking Can Be Supplied for A Wide Range of Downtown's Users:** Structured parking in downtown currently supplies a significant amount of commuter parking, and secondarily provides parking for shopping and entertainment occasional visitors. As the 2015 Nelson/Nygaard report recommends, several strategies for better accommodating downtown's visitors should be deployed, including increased visibility of parking choices and prices, as would be made possible by enhanced signage and information technologies.
- **Capital Costs of New Parking Technologies:** These new technology-driven parking management strategies have a relatively high initial capital cost, as well as some ongoing operating costs. CPC estimates that the cost of an advanced information technology and payment system for WSG, including easy payment, variable pricing and signage, would cost approximately \$1,000,000 in initial capital investment. Over time, the costs can be recouped, but primarily the technologies serve the purpose of maximizing utilization of the garage, bringing more people to downtown over the course of the day and evening.

Key Factors: Downtown Charlottesville Planning

- **Parking is a Means to an Ends – Access to Downtown Charlottesville:** Parking is necessary to provide access to downtown Charlottesville for drivers outside of the immediate area. Though transit, bicycle, and walking are viable for some, the majority of regional visitors will rely on parking to come to downtown for the foreseeable future. Parking facilities that maximize utilization and facilitate both commuter and occasional usage will be the most beneficial to local economic activity. In addition, a more flexible approach to managing parking prices in downtown will allow the true demand for parking to become clearer. If parking demand continues to rise even as pricing is

allowed to vary, then the economic case for additional parking will be clear, and new private investment in parking, rather than dependence on subsidies from government, will be far more likely.

- **Downtown, and Parking Demand, is Continuing to Grow:** Development around downtown Charlottesville is continuing, including several large developments in the immediate vicinity of WSG. Though some of the additional demand for access to these developments will be met by alternative travel and new spaces, demand for existing parking will continue to increase, including at WSG. The 2015 Nelson/Nygaard report also shows that demand for parking is very high in the northeast portion of downtown, with significant additional parking demands associated with Albemarle County's Court-related plans. Still, current and potential business owners and developers point to uncertainty around downtown's parking situation as a barrier to further investment, leading to a potentially vicious cycle of stagnation.
- **Downtown Charlottesville is the City's Urban Heart:** The Charlottesville Comprehensive Plan, the document adopted by the City to guide future development, emphasizes that downtown is the most traditionally urban part of the City, and region. While parking is necessary, it should be managed as efficiently as possible to minimize the need for construction of new spaces that break up the urban fabric.
- **Additional Investment in Alternative Modes of Travel:** Another important strategy for managing access to downtown, included in the 2015 Nelson/Nygaard report, is fostering travel by alternative modes, including transit, shared rides, biking, and walking. Each of these modes could benefit from additional investment by the city, including for capital investments such as in new streetscape, bike-share facilities, and transit systems, as well as transit operating costs. In addition, enhanced alternatives to driving and parking would be particularly useful for hourly workers, who currently must scramble for parking such as with the "two-hour shuffle" on street. As shopper and commuter demand for on-street and structured parking rises, increased access, whether by transit or from more remote parking facilities, will need to be addressed directly.

Comparison between Scenarios

Based on the factors introduced above, I compare each scenario in terms of their impacts on parking and broader goals for downtown, particularly local businesses and economic activity.

Scenarios 1 and 2

The primary difference between Scenarios 1 and 2 in CPC's letter is in the ownership and operation of the parking spaces at WSG. In Scenario 1, the City takes complete ownership of the space, and in Scenario 2, CPC takes full ownership. The impact on parking in WSG relates to potential differences in the management of the structure by the City and CPC. If the cost of acquiring the spaces places a significant burden on the City's operating budget, it is less likely to be able undertake the technological upgrades needed to make WSG a more usable, demand-responsive option for those driving downtown whether to work, shop, or for entertainment, in addition to placing a burden on other parts of the City's budget.

If, in Scenario 2, CPC is able to move forward expeditiously with capital investments in the structure to maximize its usability, this outcome will enable WSG to effectively accommodate more demand for parking, particularly on the south side of downtown, and facilitate increasing economic activity and reduce demand on other parking facilities in the area. Additionally, inasmuch as the City uses proceeds

from the sale of spaces at WSG to build another garage at 7th and Market, it could potentially address the more acute shortage of parking on that side of downtown.

Local Business Impacts: Importantly, the impact on local businesses between Scenarios 1 and 2 relates to how usable and appealing in price and accessibility WSG's spaces are for downtown's visitors. Whether owned by the public or a private entity, the highest economic benefits realized by the owner of the garage will be to maximize usage in order to accommodate as many cars as possible, which also has the highest benefits to the local businesses. However, the need for an investment in technology, signage, and other improvements is also critical to make the parking attractive not just to regular commuters but occasional users that visit local retail businesses.

Scenario 3

As a variant on Scenario 2, Scenario 3 includes an agreement for CPC to develop a garage at 7th and Market, rather than the garage being developed by the City. The major differences in outcomes would relate to how the City then uses the revenues from the sale of its WSG parking spaces. If those revenues are used to improve transit, biking, and walking transportation around downtown and the City, it could address another major recommendation of the 2015 Nelson/Nygaard report, as well as the City's own goals in its Comprehensive Plan.

Local Business Impacts: In the relatively undersupplied northeast part of downtown, the additional garage would take pressure off of the existing Market Street Garage that provides ready access to the retail businesses on the Pedestrian Mall. The revenues accrued to the City and not needed for the construction of the new garage in this scenario could be used for purposes supportive of local businesses, including alternative transportation for hourly workers, but possibly also investments in other community priorities.

Scenario 4

Scenario 4 is suboptimal, in that it would ultimately result in an ownership and management arrangement similar to either Scenarios 1 or 2, but with increased costs in legal fees and delays in investments due to litigation.

Local Business Impacts: The realities of such litigation create significant financial burdens for any municipality and foster an environment of continuing uncertainty that would hamper private investment in the area.

Conclusion

Based on the key factors informing how the scenarios might affect both parking management and broader urban planning goals in downtown Charlottesville, either Scenario 2 or 3 would be most consistent with best practices for parking management and urban development. Scenario 1 has the City making a significant investment without increasing supply or improving alternative transportation, while Scenario 4 is not beneficial to the community in any way. Despite a perceived shortage of parking, the Water Street Garage would be able to accommodate additional downtown visitors if its operations are upgraded, particularly in terms of investments in new technologies for demand-responsive pricing and marketing of the spaces.

The difference between Scenarios 2 and 3 relates to the need for an additional garage near the offices and government facilities around East Market. The consensus among most City leaders is that an additional garage is necessary as related to Albemarle County's needs at Courthouse Square. If so,

Scenario 3, where CPC constructs the garage, would enable the City to make other use of its proceeds from the WSG sale, potentially to invest in other means of travel to downtown, reducing the need for additional parking over the long run and enhancing the urban character of downtown Charlottesville. In contrast Scenario 2 gives the City more publicly controlled parking but that investment in parking reduces the ability of the City to make the investments in other means of travel downtown.

I appreciate the opportunity to send you this assessment of the scenarios, focused on parking management and urban planning considerations. If you have any questions, please don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Mondschein', with a stylized, cursive script.

Andrew Mondschein, AICP

1517 Dairy Road
Charlottesville, VA 22903
mondschein@virginia.edu

August 8, 2016

Mr. Maurice Jones
City Manager, City of Charlottesville

Mr. George Benford
Chairman, Downtown Business Association of Charlottesville

Dear Maurice and George,

Our community has been engaged in an extended discussion of late about parking in downtown Charlottesville. Appearances to the contrary, there is actually much more that the community agrees on than it disagrees on. First and foremost, there is broad agreement that we need more parking downtown. Our current supply is maxed out, and the problem is only getting worse. There is broad agreement that the economic vitality of downtown has always depended upon, and will continue to require, an abundant supply of affordable parking. There is broad agreement that our long-running and successful parking validation program needs to remain in place, if not be enhanced. There is broad agreement that our existing parking garages, which are showing their age and rely on antiquated technology, need to be upgraded and modernized. There is broad agreement that we need a viable strategy for accommodating the parking needs of our hourly workers downtown. When it comes to downtown parking, there is more that unites us than divides us. In recognizing everything the community agrees on, we must also acknowledge that the City of Charlottesville, CPC, and the DBAC all have the exact same goal, which is a successful and vibrant downtown.

Management and ownership of the Water Street Garage is the only issue that continues to prove divisive. Lawsuits and countersuits and settlement proposals and counterproposals have flown back and forth, and the only parties who are benefiting from this prolonged dispute are the attorneys on both sides. Recent FOIA requests revealed that the City has already incurred attorneys' fees of over \$66,000 alone and those costs have the potential to rise exponentially should the continuance of litigation prove necessary. Several attempts have been made to resolve the dispute over the Water Street Garage so that we can get on with the business of modernizing our parking infrastructure and expanding our parking supply. For various reasons, these attempts have all met with failure, and the resulting paralysis is hindering our ability to act on the many areas in which we actually enjoy broad agreement. The dispute has also created an environment of uncertainty for downtown, which is harmful property values and new investment. Litigation as complex as that involved at the Water Street Garage could conceivably continue for several years which would not benefit the community in any way.

It's time to resolve the question of the Water Street Garage once and for all. Kicking the can down the road yet again should not be an option. Given my unique experience in having served both the City and CPC, I am well aware of how long the decisions surrounding the garage have been put off to the future. The City and CPC discussed the City's purchase of CPC in 1998, 2004, 2008, 2012, 2013, 2014 and now once again in 2016. The City commissioned formal outside studies of purchasing CPC in 2008 and 2013 by the Williams Mullen law firm. The City also commissioned comprehensive parking studies in 2008 and 2015. These studies, discussions, and now lawsuits have been time consuming and cost the taxpayers large sums of their hard earned money. Yet today, despite the large expenditures of taxpayer funds, the Water Street Garage faces more uncertainty than ever. Merchants worry about parking access for their customers, important downtown employers are opening new offices in other cities due to our lack of parking, new development projects have stalled for want of parking, and the continuance of litigation for years will only increase these problems. Additionally this dispute hampers the ability of both the City

and CPC to move forward with independent plans for the construction of new parking. Failing to find a way to promptly resolve this dispute is harmful to the main goal of the City, CPC and DBAC, which is a successful and vibrant downtown.

I am writing today to propose three scenarios for your consideration. Each scenario would end the garage dispute, each has benefits and costs to be weighed by the community. The permanent resolution of the garage dispute will put the community on a path toward resolving some of the bigger challenges we face downtown. All of these scenarios address concerns that have been raised in the business community or elsewhere about previous settlement offers. Any of these scenarios would be acceptable to CPC, and I hope that at least one if not all of these scenarios would be acceptable to the City of Charlottesville and the DBAC as well.

Under scenario #1, CPC would agree to sell all of our parking and office spaces in the Water Street Garage to the City, at the same exact price that the City would be required by law to offer if it were to proceed in its threatened eminent domain action against CPC. In other words, we would agree to cut to the chase and save the taxpayers a tremendous legal bill for a protracted eminent domain court battle. All legal actions on both sides would be dismissed, the City would write a check to CPC, and then the City would own 100% of the parking spaces in the Water Street Garage outright. The City could then set whatever rates it wants in the garage and otherwise manage the garage as it alone sees fit. The City would also acquire the right, under the terms of the ground lease, to purchase the land under the garage in the future at its market value. This outcome would give the City full control of the property. The City and CPC would then be free to move forward independently as they see fit.

Under scenario #2, the City would agree to sell all of its parking spaces in the Water Street Garage to CPC under the same terms and conditions previously agreed to in May. CPC would pay the City the higher of the appraisal value range plus a 20% premium and honor our previous written commitments not to sell the garage prior to 2024, to honor the discounted monthly rates for various parties, and to continue the validation program as is. The City would agree to use the proceeds from this sale toward the construction of replacement spaces elsewhere downtown, in a new garage that the City would own outright and manage as it alone sees fit. During the 2-3 years that it would presumably take the City to build its new garage, CPC would agree to manage the Water Street Garage essentially on a status quo basis. During this 2-3 year time period, parking rates at the Water Street Garage would never exceed the rates charged at the City-owned Market Street Garage. Once the City's replacement spaces are online, the market will once again be saturated with supply and this will inevitably put downward pressure on rates at all downtown parking facilities.

Under scenario #3, CPC would purchase the City's spaces under the same terms proposed in scenario #2, and CPC would build a new state-of-the-art parking garage of approximately 300 spaces at Market & 7th St., on the site of the publicly-owned flat lot adjacent to the SNL building. CPC would buy the lot at its assessed value, and then construct the new garage entirely at our own expense. The City would agree to expedite regulatory approvals for the new structure. CPC would commit in writing to have the new garage open within one year of the sale of the City's spaces at Water Street, provided the City would expedite the permitting process.

Upon completion of the new garage, CPC would guarantee 100 spaces in the new garage or the Water Street Garage to Albemarle County, at no charge for thirty years, for the exclusive use of its court employees and clients during the courts' operating hours. Other anticipated weekday users of the new garage would include SNL employees, City staff, downtown visitors, etc. On evenings and weekends, all spaces in the garage would be available to the general public. The garage's immediate proximity to the



Pavilion would make it an ideal location for concert parking in particular.

There is a scenario #4, in which the City of Charlottesville elects to go forward with litigation rather than resolve the dispute promptly. Under this scenario, the City may win the litigation or the City may lose the litigation; either way, the expenses incurred the taxpayers in both direct legal fees, and reduced investment downtown due to the uncertainty over parking, will be very costly. It is also easy to imagine the City and CPC will each be hampered in their quests to independently build new parking downtown while simultaneously engaged in complex litigation against each other. Further, the contesting of the litigation, even if the City should prevail, will be at best a very expensive means of delaying the inevitable, which will come when the ground lease resets in 2024, less than 8 years away.

In an October of 2015 deposition, the City's former Chief Financial Officer, Aubrey Watts, testified extensively on the consequences of the ground lease reset. Mr. Watts testified that a ground lease of \$933,000 per year would for the City make "the operation of a parking deck under these circumstances difficult to keep it." He further testified that with a ground rent number of \$933,000 the City would have to consider ending validation, raising rates or laying off staff at the Water Street Garage so as to help "keep the parking solvent" or the City would face "really difficult impacts on our budget." Both the City and CPC are aware that the fair market ground rent will greatly exceed \$933,000 in 2024. Both the City and CPC are aware of another ground lease downtown near the garage which will be netting \$900,000 per year for 1 acre of land in 2024, while the Water Street Garage ground lease is for 2 acres or double the amount of land. This sales comp alone, as the recent appraisal of the City's spaces also noted, insures that in 2024 the ground rent will far exceed what the garage as presently operated will be able to pay. At that time, the City will be confronted by the severe choices as to the operation of the Water Street Garage that Mr. Watts recently testified about.

In addition to the ground lease reset in 2024, the Market Street Garage will turn 50 years old. When built in 1974, it was estimated that the garage would be structurally sound for 50 years. Whether the Market Street Garage can last past 2024 structurally remains to be seen, but it is another major issue the City will face in 2024 concerning parking downtown. A scenario in which the ground lease increase is simultaneous to the structurally required replacement of the Market Street Garage, would create financial difficulties that would be far more onerous than those Mr. Watts anticipated in his 2015 testimony. The replacement of the Market Street Garage whether required in 2024 or 2034 is a known temporary drain on the parking supply in the future and a cost the City will have to bear, which makes it all the more imperative that the dispute at Water Street is resolved promptly.

Taking all of the above into consideration, it is time for the City to make a decision. Kicking the can down the road yet again is not good for our downtown businesses, not good for future development, not good for property values, and not good for the taxpayer. Any resolution outlined above other than Scenario #4 will enable both parties to move on and address the expansion of the parking supply now. Inaction is contrary to the interests of everybody and may prove to be disastrous for the downtown stakeholders in 2024. I hope that you will give this proposal and the options spelled out herein your close and careful consideration. We would appreciate a reply to this letter by September 7, 2016. Please do not hesitate to contact me with any questions.

Thanks and best wishes,

Dave Norris
General Manager