

CITY OF NAPA CITY COUNCIL
AGENDA REPORT

PUBLIC HEARING
AGENDA ITEM 7.A.
Date: September 20, 2016

To: Honorable Mayor and Members of City Council

From: Rick Tooker, Community Development Director

Prepared by: Jennifer La Liberte

Subject: Second Reading of Ordinance/Resolution Adopting Parking Impact Fee

ISSUE STATEMENT:

Approve the second reading and final passage, and adopt an ordinance amending Napa Municipal Code Chapter 15.94 relating to the procedures for the Parking Impact Fee; and adopt a resolution adopting a Parking Impact Fee for non-residential development in the Parking Exempt Overlay District.

DISCUSSION:

This report summarizes the bases for staff's recommendation that City Council take two actions: (1) approve the second reading of an ordinance to make clarifications to the City's procedures for establishing parking impact fees; and (2) adopt a resolution to update the amount of parking impact fees charged to new development in the Parking Exempt Overlay District ("PE District").

The attached staff report from the Council meeting of August 2, 2016, provides a more complete summary of the Council's initial consideration of the Parking Impact Fee ("PIF") ordinance and resolution (see Attachment 3). At that meeting, the Council approved the first reading of the PIF ordinance, yet did not take any action on the recommended resolution to update the PIF. The Council opted to postpone final action in order to provide City staff an opportunity to respond to a late communication from an attorney representing a developer of a proposed project at 1330 Clay Street, within the PE District (see Attachment 4).

In the late communication, dated August 2, 2016, the developer raises essentially three sets of issues challenging the City's proposed update to the PIF. The developer's letter asserts: (1) the City should not adopt the PIF resolution until after the effective date of the proposed update to the PIF ordinance and a related update to the boundaries of the PE District; (2) the City has not sufficiently analyzed the potential environmental impacts of the PIF ordinance update under the California Environmental Quality Act ("CEQA"); and (3) the City has not adequately established the "nexus" (reasonable relationship) between the parking impacts created by new development, and the amount of the fee imposed on that new development to fund parking improvements. City staff has provided a response to each of the issues raised by the developer, below.

1. It is within the City Council's authority to adopt the recommended update to the PIF prior to the effective date of either: (1) the ordinance amending the PE District, or (2) the ordinance amending the procedures for establishing parking impact fees.

The recommended update to the PIF was calculated based on a reasonable estimate of future development in the PE District that would generate demand for new public parking, as documented in the Nexus Study which included an expansion of the PE District to include six additional parcels based on recommendations included in the Downtown Specific Plan ("DSP"). The developer's concern on this point is now moot since the City Council adopted the ordinance expanding the PE District on August 16, 2016, which was effective September 15, 2016, and the Nexus Study analyzes the need for public parking within the PE District as amended.

The recommended update to the PIF is consistent with the procedural requirements of Napa Municipal Code Chapter 15.104, either the version of that Chapter currently in effect, or the version that is proposed to be adopted at this meeting. As relevant to the calculation of the PIF, the changes to Chapter 15.104 that are proposed by the recommended ordinance (see Attachment 2) are essentially a summary of the requirements of State law which apply under either the existing or proposed version of Chapter 15.104. The recommended ordinance does more clearly describe the process for calculating the "net new parking demand" of a development project (in Section 15.104.040(C)), but this is merely a clarification of the City's interpretation of the requirements under the existing version of Chapter 15.104. The recommended ordinance also includes clearer procedures for the early payment of fees based on a complete application, consistent with other recently updated impact fees. If the Council adopts the recommended ordinance and the recommended updated impact fee, the ordinance would be effective 30 days from adoption (October 20, 2016) and the updated fee would be effective 60 days from adoption (November 21, 2016).

2. The City has adequately analyzed the potential environmental impacts of the recommended impact fee ordinance and resolution at a "program level," consistent with CEQA; and "project level" CEQA analysis neither required nor feasible at this stage since the City has not yet made a commitment to a particular location for construction of a parking structure to be funded with impact fee revenue.

The potential environmental impacts of downtown parking, as described in the recommended PIF ordinance and resolution, were adequately evaluated at a program level in the DSP Environmental Impact Report ("DSP EIR"), and no substantial changes have occurred to parking since the certification of the DSP EIR. The DSP evaluated many alternative parking strategies to address supply and demand, including modifying parking standards within the PE District; improving pedestrian and bicycle ways and lighted cross-walks to encourage greater "non-automobile" travel; incorporating pricing and other parking management best practices; ensuring a reasonable provision of long-term parking for employees; protecting adjacent neighborhoods from spillover parking that might result from parking management strategies; and reviewing and refining funding strategies to ensure adequate revenue to meet future construction, operations, enforcement and maintenance needs. Some of these strategies were implemented with the adoption of the DSP (e.g., parking standards modification) while others have been or are being implemented (e.g., use of valet parking through license agreements to

maximize use of limited parking spaces, and pedestrian and bike way improvements), and still others are being analyzed for future implementation as directed by City Council on May 1, 2016, and documented in the Downtown Parking Management Plan (e.g., funding strategies, pricing, signage, possible residential permit program, wayfinding, user information, etc.). It is important to note that the DSP includes a specific recommendation to adjust the parking impact fee to more closely reflect the actual cost of providing parking.

The proposed adoptions of the PIF ordinance and resolution do not create a “project level” impact under CEQA. Although the calculation of the recommended PIF, as described in the Nexus Study, anticipates the future construction of one or more parking structures to mitigate parking impacts in the PE District, the City has not yet “committed” to construct any particular parking structure. The City is in the beginning stages of master planning the CineDome Focus Area as described in the DSP, and this process will include an evaluation of the feasibility of siting a parking structure in that area; but the City has not yet established a “finite site” or design for the structure. The City anticipates that the master planning process will result in an identified site for a parking structure along with approximate size, orientation, and other details, and it will include additional CEQA analysis to support recommendations for Council’s consideration.

3. The City has adequately established the “nexus” (reasonable relationship) between the parking impacts created by new development, and the amount of the fee imposed on that new development to fund parking improvements.

The recommended resolution establishing the updated PIF, along with the Nexus Study attached to the resolution, carefully documents compliance with all of the requirements of the Mitigation Fee Act (Government Code Section 66000, et seq.), including the identification of each of the following elements: (1) baseline parking supply; (2) baseline parking demand, including actual parking caused by existing development, as well as the estimated parking demand from the future development of vacant buildings which, once occupied, will generate parking demand but will not be required to pay a parking impact fee; (3) future parking demand based on development projections based on the DSP, as well as pending development projects; (4) proposed improvements (parking structures) to serve future parking demand; and (5) estimated cost of those improvements. The Nexus Study then equitably and proportionately allocates the estimated cost of the improvements across the new development that creates the net new demand for public parking (and receives the benefit from public parking). Thus, the Nexus Study establishes the required nexus and reasonable relationship between future development impacts and an impact fee to offset the estimated cost of future parking structures to serve future development.

It is important to note that the baseline parking supply (parking structures and parking lots) was created by the City using non-impact fee revenue. Thus, although the City cannot “guarantee” there will be sufficient parking to serve businesses in the PE District, there is currently existing supply that has been made available to serve existing demand; and the City continues to take actions to provide parking to cover immediate demands (e.g., licenses for valet parking, parking demand management, and construction of new short-term surface parking lots).

As mentioned, the Nexus Study carefully evaluates the baseline parking demand. Thus, there is a field observation of physical parking impacts at peak hour on the baseline parking supply, and there is also an estimation of parking impacts that vacant buildings will generate once developed or leased since they will be able to use public parking without being charged an impact fee.

In documenting the baseline parking demand, the Nexus Study identifies that the City has executed two license agreements with hotel projects – one with the Andaz and the other with the Archer -- for the exclusive use of parking spaces on the top levels of two City-owned garages. Although the spaces subject to the two license agreements are identified as a part of the public parking supply, they are also identified as being used as a part of the baseline parking demand, because they serve demand caused by hotel guests and employees. Through the license agreements, the City actively manages the uses of parking structures by the hotels to most effectively use minimal parking spaces through valet parking and “stacking” of cars, to park the greatest number of cars in the least number of spaces. In exchange for the exclusive use of the most poorly utilized spaces in the two garages, the developers have obligations to pay charges that substantially exceed the current impact fee, and those funds will be used to construct future parking.

Similarly, as a part of both the baseline supply and the baseline demand, the Nexus Study also identifies private projects within the PE District that have built their own private parking. This includes the Napa River Inn (which owns surface parking and a portion of the County-owned Fifth Street Garage), as well as Riverfront Napa (which owns its own structure and a portion of the County-owned Fifth Street Garage). Thus, the identification of parking spaces owned or licensed by private development projects is not for the purpose of illustrating parking available to the public, but rather to show that parking demand generated by those projects has been more than sufficiently mitigated so that additional public parking supply is not needed to serve those projects. It is, however, also important to note that the private investment in the Fifth Street Garage was critical in allowing the City (through its former redevelopment agency) to fund a smaller share of the total cost of what now provides important public parking supply.

The Nexus Study quantifies the anticipated future development impacts within the PE District based on projections included in the DSP, which provides rational land use assumptions based on zoning criteria and development standards. To the extent that City staff had supplemental information at the time the Nexus Study was prepared regarding actual development projects in the current planning or project pipeline, that information was factored into the development projections. However, any such supplemental information was not “in addition to” the projections included in the DSP; but rather it was simply a more refined estimate of development of a particular parcel. The Nexus Study documents compliance with the legal requirement to reasonably estimate the future development that will be the subject of the impact fee, based on the development projections included in the DSP.

The City has been working on the proposed increase to the PIF for several months, and the Council has discussed options at prior public meetings and directed staff to return with a final recommendation. Consistent with previous Council input and the Nexus

Study, staff recommends the City Council adopt the resolution to increase the PIF to \$23,000 per parking space, and the ordinance amending Napa Municipal Code Chapter 15.94 to clarify the City's procedure for establishing parking impact fees.

FINANCIAL IMPACTS:

The recommended action will result in an increase in revenue collected for each new development project that generates net new parking demand in the PE District. At the recommended dollar amount of \$23,000 per parking space, the City will have to continue to supplement the actual cost of building new public parking. The dollar impact to the Parking Fund is difficult to estimate as staff is unable to predict which projects may occur and whether or not some developers would propose to construct subterranean on-site parking to meet their parking requirement.

CEQA:

The Community Development Director has determined that the Recommended Action is not in-and-of-itself a "project" (pursuant to CEQA Guidelines Section 15378(b)(4)) since it does not result in a physical change in the environment, and it is the creation of a government funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant impact on the environment. As described in this report, the adoption of the parking impact fee does not commit the City to constructing any particular project. However, the Recommended Action is part of a larger "project" that will be subject to environmental review in accordance with CEQA at the "earliest feasible time" prior to "approval" consistent with CEQA Guidelines Sections 15004 and 15352. The earliest feasible time for Council's evaluation of environmental impacts will be after Council identifies a site for a parking structure that will serve development in the Downtown Parking Exempt District, and prior to Council's approval of construction for that parking structure.

Furthermore, development that is contemplated to create additional parking demand subject to the Parking Impact Fee was adequately described by, and within the scope of, the Program Environmental Impact Report for the Downtown Napa Specific Plan (State Clearinghouse #2010042043) adopted by City Council on May 15, 2012, pursuant to CEQA Guidelines Section 15168(e); and was adequately evaluated by the Mitigated Negative Declaration for the 1300 Main Street Building adopted by City Council on June 7, 2016 (Resolution R2016-80), pursuant to CEQA Guidelines Section 15162.

DOCUMENTS ATTACHED:

1. Attachment 1: Resolution Adopting Parking Impact Fee (with Exhibit "A")
2. Attachment 2: Ordinance Amending NMC Chapter 15.104
3. Attachment 3: Staff report from August 2, 2016 public hearing (minus attachments)
4. Attachment 4: Written communication from developer dated August 15, 2016
5. Attachment 5: Written communication dated September 9, 2016

NOTIFICATION:

Legal notice was published in the Napa Valley Register on September 9, 2016 and September 14, 2016. Staff notified members of the public who participated in the August 2, 2016 public hearing to the extent contact information was provided, and other interested parties.

RECOMMENDED ACTION:

Staff recommends that the City Council move, second and approve each of the actions set forth below, in the form of the following motion. Move to:

- 1) Adopt a resolution adopting a Parking Impact Fee for Non-residential Development in the Parking Exempt District; and
- 2) Approve the second reading and final passage, and adopt an ordinance Amending Napa Municipal Code Chapter 15.104 "Parking Impact Fee on Non-residential Development in the Parking Exempt Overlay District"